

# COMMITTEES AND COMMISSIONS IN INDIA

1947-1973

Volume VIII : 1967

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CONCEPT PUBLISHING COMPANY  
NEW DELHI

*To*  
*My Grand-father*  
*the late Babu Ratan Lal Kulsreshtha*

# INTRODUCTION

The Eighth Volume in this series attempts a comprehensive analysis of the activities of the various "Committees and Commissions" appointed during the year 1967. These have neither been documented nor mentioned in bibliographies.

Governments the world over are known to take recourse to the appointment of various Committees and Commissions to aid them in their decision-making process.

This extensive governmental use of the Instrument of Public Inquiries helps lessen managerial tensions and often quietens allegations of misrule. In the words of John Stuart Mill : "A man seldom judges right, even in his own concerns, still less in those of the public, when he makes habitual use of no knowledge but his own or that of some single adviser." The "Committee System" thus is an essential part of a democratic set up.

A Commission is a "Governmental Agency created to perform a particular function such as a special investigation or on governmental regulations of business". It is appointed mainly when it is thought that a matter involves some financial questions. There are also other reasons for which a Commission is appointed e.g., in matters pertaining to the Welfare of the State and its Citizens and for improving the efficiency of an administration. The status of a Committee is also the same as that of a Commission; it does not however, possess as wide powers as are enjoyed by the former and has perforce to limit itself in relation to specific work assigned to it under its terms of reference. While arriving at decisions in the form of recommendations, a Committee or Commission ensures that such decisions are representative of varied interests and also that they act as a safeguard against the abuse of power.

Committees and Commissions are advisory bodies to Government, offering valuable suggestions and recommendations for the smooth operation of and efficiency in administration directed towards the welfare of the people.

A Committee or Commission comprises a **Chairman**, **Members** and a **Member-Secretary** (at times there is also a **Vice-Chairman** and an **Assistant Secretary**). There may also be **One-Man Commissions** where enquiries are entrusted to an **Officer-on-Special Duty** or a Judge of the High Court or Supreme Court.

The Chairman of a Commission is a person well versed in legal affairs and is often a retired Judge of a High Court or Supreme Court of India. Occasionally, a Member of Parliament is also appointed to the post of Chairman of a Commission. Regarding Committees, the Chairman is usually a specialist in the Subject of the Committee. He can be the Leader or the Convener if he happens to head a Panel, a Study Group, a Working Group or a Delegation, etc.

The Members of a Commission, Committee, Panel, Study Group, Working Group, etc., are specialists in their respective fields and provide valuable guidance to the Commission in making recommendations.

The Member-Secretary or Secretary is nominated from among the experienced officials who have the requisite competent knowledge of the subject for which the Commission or the Committee is appointed.

This study of the "Committee and Commissions" is divided into two main parts :

- (i) pre-Independence : From 1772 to August 1947 ; and
- (ii) post-Independence : From August 1947 to 1973

The periods covered by the respective volumes are briefly as below :

Volume I : 1947—1954 ; Volume II : 1955—1957 ; Volume III : 1958—1959 ; Volume IV : 1960—1961 ; Volume V : 1962—1963 ; Volume VI : 1964—1965 ; Volume VII : 1966 ; and the present Volume VIII : 1967.

The work provides information on Subjects like the Bibliographical Data of the Committees and the Commissions, the Chairman, the Leader, the Convener, etc., Appointments, Terms of Reference, Contents and Recommendations.

**Arrangements :** The arrangements in the "Committees and Commissions" are chronological and items have been arranged according to their dates of appointment and not according to their dates of publication.

I am sure that this reference work will continue into a number of volumes, for it is unique in nature. I have spared no efforts to make it a comprehensive reference work and hope it will be of great use to Research Scholars, Sociologists, Historians, Economists, Students of Political Science, as well as to all those connected with the study of administration and legal affairs. I have tried my very best to rectify all errors and omissions that were noticed in the previous volumes.

In the end I must express my gratitude, to the Press that reviewed and appreciated the work. I am also indebted to my wife and children for their help and forbearance in making this volume ready for publication within a reasonably short time.

NEW DELHI

VIRENDRA KUMAR

*Vasant Panchmi*  
*February 1, 1979*



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## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR COTTON TEXTILES, 1967—REPORT

Delhi, Manager of Publications 1968. 52p.

**Chairman :** Shri K. Sreenivasan.  
**Members :** Shri C.H. Desai (Resigned); Shri S.P. Mandelia; Shri T.N. Sharma; Shri Arvind N. Buch; Shri H.K. Sowani; Shri P.L. Subbiah.  
**Secretary :** Shri A.V. Vyas.

### APPOINTMENT

The study group for Cotton Textiles was constituted under the National Commission Labour in 1967.

### TERMS OF REFERENCE

To analyse available information and project its thinking on labour problems in the cotton textile industry for the years to come taking into account the possible developments in the industry.

### CONTENTS

Introduction; Growth of the Cotton Textile Industry; Organisation of the Cotton Textile Industry; Employment and Training; Wages, incentives and Productivity; Social Security and Welfare; Industrial Relations; Problem of the Cotton Textile Industry; Conclusions; Appendices.

### RECOMMENDATIONS

The present level of employment should be maintained and at the same time a higher level of productivity should be achieved.

An amendment to the Factories Act so as to enable women workers to work in the evenings and for shorter hours with a proportionate reduction in wages and

dearness allowance would certainly increase the scope of employment for women.

In view of the high level of absenteeism in the cotton textile industry and the need to maintain productivity and efficiency of machines, the system of Badlis has proved to be useful in ensuring that all available machines are kept running.

A nation-wide study of absenteeism would be of great help in unearthing its causes as well as in suggesting suitable remedies for minimising it.

In textile centres, there are no technical schools with evening classes which workers can attend and acquire technical knowledge necessary for promotion to the supervisory levels. Managements, workers and government should provide such training facilities as a joint responsibility.

Provision of proper training facilities within the mill before the worker is placed in a job will help to improve productivity in mills.

Mills in which the machinery, buildings etc., are old and out-dated and are impossible of economic running even after modernisation, should be scrapped. If necessary, new mills may be set up in their place in

order to provide employment to the workers.

Mills which are capable of being modernised should be modernised immediately so that they may start working successfully as early as possible.

Losing a job is a major disaster to a worker and therefore a suitable scheme at national level should be evolved in order to avoid the misery of unemployment for workers of the mills to be scrapped.

If the cotton textile industry is to be placed on a firm and stable footing, it should be supplied with adequate quantities of cotton of various qualities, at prices which are at par with world prices.

The cotton textile industry today is in great need of modernisation. It is also in great need of funds for modernisation.

Modernisation, therefore, should be given a very high priority and special financial arrangements made for that purpose.

From the point of view of productivity, quality and the price of textiles, it is essential that the supply of machinery, stores and accessories should be of high quality.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR SUGAR INDUSTRY, 1967—REPORT

Delhi, Manager of Publications, 1969. 66p.

Convenor : Shri S.N. Gundu Rao  
Members : Shri L.N. Wahi; Shri R.P. Nevatia; Shri P.S. Rajagopal Naidu; Shri J.C. Dixit; Shri G.J. Ogale.  
Secretary : Shri H.M. Misra.

### APPOINTMENT

The Study Group for Sugar Industry was constituted under the National Commission on Labour in 1967.

### TERMS OF REFERENCE

To analyse available information and project its thinking on labour problems in the Sugar Industry for the years to come taking into account the possible development in the industry.

### CONTENTS

Introduction; Growth, Importance and Special

Features of the Indian Sugar Industries; Economic Aspects of the Industry; Recruitment Promotion and Induction; Conditions of Work; Wages in the Sugar Industry; Social Security; Employers and Employees Organisations; Industrial Relations; Summary of the Views and Recommendations; Appendices.

### RECOMMENDATIONS

Rules for promotion of employees need clearly to be set out. Within the field of eligibility determined by seniority, promotion should be determined by trade tests and performance.

It would be in the interest of the industry to institute suitable in-plant training courses for operatives.

In view of the rapid advances in science and technology, refresher courses for the highly skilled and supervisory personnel should be provided.

The schemes of talent search within the units and for

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inducing such talents to take to the specialised skills need to be instituted. Starting of the Institutions of the kind of productivity and safety clubs should be encouraged.

The enforcement of the existing statutory powers regarding working conditions in the older units needs especially to be geared up. The Factory Inspectorate should draw out a programme of more frequent inspections of such units.

More frequent inspections for ensuing proper treatment of effluents by the factories, need to be made.

While granting licences for the installation of new sugar factories, Government of India should satisfy that the provision of harnessing of workers on a scale related to the size of the plant and its location has been made.

The types of circumstances which at present forfeit the worker of his right to compensation in the event of disablement or death need to be seriously reviewed.

Under the Employees' Provident Fund Act provisions

need to be made for pensionary benefits, together with the system of lump sum payment.

The quantitative requirements for registration of the union need urgently to be revised.

The Registrar of trade unions should be an authority entirely independent of the head of the Labour Department.

There should be an Indian Labour Administrative Service.

It is recommended that the practice of remunerating arbitrators for their services as prevailing in the United Kingdom should be adopted in this country too, with the difference, however, that the arbitrator's fee to be paid by the Government should be chargeable from the parties.

Since the sugar industry is becoming increasingly more diversified and the affairs of this industry are subject to considerable measures of Central Control, it is desirable that a tripartite organisation in respect of this should be set up at the national level also.

## ADMINISTRATIVE REFORMS COMMISSION, STUDY TEAM ON FINANCIAL ADMINISTRATION, 1967—REPORT

Delhi, Manager of Publications, 1968. 2 Vols.

**Chairman :** Shri B. Venkatappiah  
**Members :** Shri N.N. Wanchoo; Shri P.L. Tandon;  
Shri G.L. Bansal; Shri N.S. Pandey; Dr.  
D.T. Lakdawala.  
**Secretary :** Shri J.C. Luther  
**Research**  
**Assistant :** Shri B.L. Gaur, Senior Analyst; Shri  
N.K. Andley, Junior Analyst; Shri S.D.  
Batra, Junior Analyst.

### APPOINTMENT

The Study Team on Financial Administration was constituted under the Administrative Reforms Commission in 1967.

### TERMS OF REFERENCE

(i) To ascertain facts ; (ii) To locate the principal problem areas ; (iii) To examine solutions for the problems and suggest such of them as they would recommend for the Commission's consideration.

### CONTENTS

Volume I ; Introductory Section ; i. Introduction ; Part I : Budgetary Reforms : Objectives of a Budget ; Performance Budgeting ; Financial Year ; Budget Estimates ; Budget in Parliament ; Budget, Plan and Economic Analysis ; Lapse of Grants ; Lump Sum and Token Grants ; Review of Expenditure ; Part II : Expenditure Control : Delegation of Financial Powers ; Role of Financial Adviser ; Control by Parliament ; Part III : Centre-State Financial Relations : Changes in Perspective ; Finance Commission ; Schemes of Basic National Importance ; National Development Bank ; Borrowings of States ; Concluding Section : Acknowledgements ; Summary of Observations and Recommendations. Appendices : I. Memoranda to the Constitution of the Study Team on Financial Administration ; II : Some Important Issues Regarding Budgetary Reforms, Financial Control and Centre-State Financial Relations ; III : Details of the Meetings of the Study Team

with the Central and State Government Officers ;  
IV : Terms of Reference and Composition of the two working groups set up by the Study Team ;

Volume II : Accompaniments : 'A' : Report of the Working Group on Performance Budgeting ; 'B' : Research Study on the Applicability of Performance Budgeting in Formulating and Presenting Budget estimates for the Public Works Department, Gujarat State ; 'C' : Report of the Working Group on State Finances and Centre-State Financial Relations ;

## RECOMMENDATIONS

Two of the basic requirements of administration, of which financial administration is only a part, continue to be efficiency and economy within the framework of planned development, parliamentary control and federal inter-relationship. But efficiency and economy are themselves, aspects of action or performance ; and if there is one requirement today which is more important than any other, it is that policies, programmes and administration should be oriented to performance.

Since that economy is costly which consists in doing nothing, our suggestions concerning control—whether by Parliament or by the Finance Ministry—aim at preserving initiative and delegating real authority.

Besides being the most important annual item on the agenda of Parliament, the budget serves a number of purposes, fiscal, financial and economic administrative, managerial and development in terms of each State or of the country as a whole. It is a document for parliamentary action and an instrument of parliamentary control. It is a management tool and a basis for a administrative delegation. It sets out a programme of development and enables the adjustment of performance. These objectives are not mutually exclusive. But, if there is one over riding need today it is that all government processes—including the budgetary process—should be oriented to action and performance, action that achieves optimum results, the performance that involves not more than reasonable cost, effort and time.

We recommend that necessary steps for the introduction, in a phased manner, of performance budgeting should be initiated at an early date. It is of course necessary that adequate preparatory steps should be taken for the introduction of the system. The following steps are recommended :

(i) The Finance Ministry should assume responsibility for introducing the system and coordinating the various stages ;

(ii) In the phased application of this system both at the Centre and in the States, priority may be given to departments and organisations which are in direct charge of programmes or activities (developmental or other) involving large expenditures.

(iii) The analysis of the functions and programmes of the departments selected may, as suggested by the Working Group, be entrusted to a team of officers.

(iv) A suitable training scheme may be devised for those who, at different levels will be concerned with the introduction of the scheme ; and a manual of instructions on the subject might be prepared as soon as practicable ;

(v) Appropriate changes in the accounting system would be needed in this connection.

We have thought it desirable to analyse at some length the practical implications of the various criteria to be applied for judging the suitability or otherwise of a financial year commencing on (i) 1st April as at present, or (ii) 1st July, or (iii) 1st October, or (iv) 1st January. These criteria are : (i) accuracy of revenue estimates in the budget ; (ii) accuracy of expenditure estimates ; (iii) efficacy of performance and (iv) convenience of legislators and administrators. Our conclusion is that, if the status quo is to be changed, the balance of Advantage would be in favour of 1st October, more especially from the point of view of performance on which we have laid emphasis throughout the report.

We consider that managerial techniques such as PERT (Programme Evaluation and Review Techniques) and CPM (Critical Path Method) should be introduced as early as possible in Government projects and Government Departments, especially those concerned with the execution of relatively big schemes.

The ministries, departments or offices should have well-equipped Budget Cells.

In the altered circumstances the question of reviving the Standing Finance Committee to examine items for inclusion in the budget estimates need not be pursued.

The device of a Committee of the whole House to discuss the budget would be an unnecessary refinement.

The allotment of more time for discussions on the budget if thought necessary, could be provided by Parliament by suitable regulation of its internal business.

We recommend that, as a rule, the Ministry in charge should open discussion on the budget estimates of his Ministry and explain the policies underlying the estimates, the physical programmes planned, and the performance in the preceding year.

It is desirable that specific dates should be fixed by which the Appropriation Accounts and Audit Reports thereon should be submitted—(a) by the Comptroller and Auditor-General to the Finance Ministry ; and (b) by the Finance Ministry to the Parliament.

A proper link should be established between the budget heads of account and the head of development.

The link between the Plan schemes and the budget

heads could be provided, for instance by means of code numbers to be assigned to each scheme on the pattern of what is being done by the U.P. Government.

The main utility of the economic classification of the Central Government Budget is that it promotes a better understanding of the economic impact of Governments operations.

As in other advanced countries, economic classification should be integrated with the budgetary process itself. We, therefore, suggest that an economic analysis be presented of the budget estimates of each department.

A prompt system of communication of the new budget grants is necessary in all cases. Besides, this, a part of the difficulty could be met by a more liberal recourse to the system of Vote on Account.

The real meaning of "token grant" should be kept in mind and a token grant asked for only when funds required for new schemes can be found by reappropriation, but the approval of Parliament has to be obtained since it constitutes a new service.

There should be a total ban on the inclusion of lump sum provisions in the budget.

Lump sum provisions should be regarded as permissible only in the most exceptional circumstances, e.g., where urgent measures have to be improvised for meeting an emergency.

It is necessary to take notice of the various inadequacies revealed in the present procedure of expenditure reporting. A good system of progress reporting should provide a basis for a comparison of the current progress against the past and the projected schedule of work. Specially, the object of expenditure reporting should be as follows :

(i) Accounting data should facilitate the formation of a policy and also throw up material that will make possible the assessment of the working of the policy;

(ii) It should also render the action of each agency accountable to the higher agency or to the legislature and through it to the public in the ultimate analysis.

The Comptroller and Auditor General and the administrative Ministries should in consultation take steps to ensure that expenditure figures are submitted punctually at all levels of the organisation.

For post-budget review of expenditure by the Finance Ministry the form of expenditure statement should be amplified in several respects and those should be submitted more regularly.

The Ministry of Finance should play a more positive role in the matter of grouping of schemes and obtain for the purpose of approval the lists of related schemes (within which reappropriation powers are vested in the administrative Ministry) at the time of formulation of the budget.

In the matter of creation of posts we recommend greater overall control. Many of the Work Study Units, on whose advice posts can be created, have not built up the expertise required for their becoming effective advisers in this respect. We are of the view that this functions should be entrusted to a well-trained staff inspection unit composed of officers with adequate training in methods of work study, work measurement, etc. The new unit should be located in the Ministry of Home Affairs or in the Cabinet Secretariat.

In cases of emergency giving rise to sudden increase in work, the Ministries and heads of departments should have powers to create the temporary posts for short periods not exceeding three months in all.

The responsibility of the Secretary of the Ministry should to remain unimpaired, and he should, therefore, have the power to overrule the Financial Adviser, where necessary. There will be no place for a Financial Adviser outside the Ministry in the arrangements we contemplate.

The Financial Adviser is expected to be a part of the top management team of a Ministry/Department. The Secretary will attach the highest importance and give the most careful consideration to the views expressed by the Financial Adviser. The relationship between them should be that of senior partners in a common enterprise.

The Finance Ministry should not normally entertain references falling within the delegated sphere of an administrative Ministry.

Parliament's time is valuable. In so far as Committees draw Parliament's attention to specific matters, these matters must be important enough to justify Parliament devoting time and attention to them. In the context of Parliamentary control the matters in question may be classified as (a) accounts—the proper spending of moneys sanctioned by Parliament; and (b) performance—the effective implementation of programmes approved by Parliament. Both in regard to proper spending (accounts) and effective implementation (performance), only the most important items should be brought to the notice of Parliament.

The Public Accounts Committee should take over the expenditure side of the public undertakings. That leaves out performance, viz., programmes, actions, and results not only of Departments but also of public undertakings. This could well be dealt with by one Committee.

The review of performance in relation to budgeted programmes could best be done by a single Committee of Parliament, which may be called the Performance Committee. The Performance Committee could have two wings, one dealing with the performance of the Government Departments and Ministries and the other



with the performance of public sector undertakings. It would be assisted by an organisation or group of experts in examination of the cost and efficiency aspect of the projects etc.

The area of operation of the Public Accounts Committee should be enlarged to include the appropriation accounts and audit report thereon relating to public sector undertakings also.

With in the broader framework of major objectives and major strategy, the Plan has hereafter to possess two characteristics : (1) Flexibility in terms of the States and (2) adaptability in terms of changing economic conditions. Consequently, it would be desirable to review the size of the United assistance, not every five years, but at more frequent intervals, say, once in two or three years.

One body, and not two different ones should take a view of both plan and non-plan expenditure and of all available resources in order to arrive at an appropriate pattern of allocation to States.

A reorganised Finance Commission should be entrusted with the total task of having a view of both plan and non-plan expenditure of both the central and States and making the requisite allocation of the States.

The total central assistance to States may be classified as follows into three categories :

(i) United assistance covering the existing statutory grants and all assistance generally, with the exception of the two specified below;

(ii) Assistance earmarked for a very small number of schemes of basic national importance, and

(iii) Assistance for financing projects of certain major fields of development such as power, irrigation, transport and manufacture.

In addition to its present functions relating to the devaluation of taxes, the reorganised Finance Commission would devise criteria for allocating United Plan assistance among the various States. A major portion of assistance may have to be given a criteria relatable to population, area and relative backwardness, and the remaining assistance on criteria relatable to the State's Plan and its performance.

The re-organised Finance Commission will have to review the achievements of each State, particularly in the agricultural and other specified spheres. It would be desirable that the awards of the Commission are given at intervals which are neither too long nor too short. Two successive awards, one for two years and the other for three years, together coinciding with a particular Plan period, might be suitable.

The reorganised Finance Commission would take full account of (a) the Plan investments and estimates, (b) extent of the total resources available, and (c) the proportion which might be set aside for allocation to

States.

We are of the view that the reorganised Finance Commission should be headed by an eminent person with a judicial background, who may be invited to serve for six months or so and preside over the Commission during its award-giving phase. The other members (excluding the Vice-Chairman) could also be appointed for the particular period only. For the rest of the time the reorganised Finance Commission may continue as a permanent Secretariat under a Vice-chairman. To provide a rapport with the Planning Commission, we suggest that one of the members of the latter should be appointed Vice-chairman of the reorganised Finance Commission.

Tied assistance should be continued to a very few schemes of basic national importance.

There should be a minimal number of basically important schemes which the Centre must try its utmost to promote, for example, (i) Family Planning, and (ii) agricultural programmes in relation to high-yielding seeds. The objective and overall target in respect of these schemes would be all-India but the pattern would be adapted to the conditions of the States concerned in consultation with the Centre. Their number should be kept as low as possible and their identity retained.

Central loans to States for financing identifiable projects in fields like power, transport, irrigation and manufacture, should be channelled through a new institution to be known as the National Development Bank, which should be built up in a phased manner over the next few years. The contemplated arrangement would apply to both Central and State projects so long as these fall in the defined category.

The following three considerations have to be kept in view as regards the functioning of this Bank :

(i) This Bank should deal with loans only;

(ii) The States should meet the cost of the projects upto a stipulated limit.

(iii) There might be need to introduce softer loans.

As regards the organisational aspects of the National Development Bank, the equity capital should be wholly subscribed to by the Government of India. The general superintendence and directions of the affairs and business of the Bank should vest in a Board of Directors, which will be guided by the board policy directives given by the Government of India, and act on business principles with due regard to the interests of national development.

The Bank may have either a part-time or whole-time Chairman. He should be a person prominent in industry, commerce, finance or banking and unconnected with Government. It should also have a Vice-Chairman. If the Vice-Chairmanship of the Bank is part-time, a Member of the Planning Commission

could fill this post to ensure better coordination with the Commission.

The bonds of the Bank would be fully guaranteed as regards the payment of principal and interest by the Government of India. The Bank would not however, accept deposits from the public.

To avoid overdrafts, the State Governments should indicate the limits of the grants to their disbursing officers which they can spend and the controlling officers of the State Government should exercise control over disbursements and check the progress of expenditure against the grants allotted in consultation with the Accountant General concerned.

As an effective safe-guard against the overdrafts of State Governments, a suitable provision may be made in the Reserve Bank of India Act that the borrowings of State Governments from the Bank should not go beyond a certain proportion of their current revenues.

The above restriction should apply mutatis mutandis to the Central Government also in respect of its own

borrowings from the Reserve Bank.

As an alternative, State Governments may be required to borrow from the State Bank of India and its subsidiaries. As a corollary the balances of the State Governments would have to be transferred to these Banks.

It would be a good idea if the public borrowing programme of all the State Governments was centralised. Though not conspicuously successful in the past, it should be given a further and more systematic trial. There should be greater coordination between the Central Government and the Reserve Bank in the matter of State borrowings.

The small savings programme as operated at present has not succeeded in its principal aim of fostering new savings and the cost of operating the schemes in respect of low-income groups is relatively high. The scheme of post office savings deposits has been successful and this part of the programmes should be encouraged through suitable measures.

## THE COMMITTEE ON AUDIO-VISUAL AIDS IN HIGHER EDUCATION, 1967—REPORT

New Delhi, University Grants Commission, 1969. 72p,

Chairman : Shri K.G. Saiyidian.

Members : Dr. V.K. Narayana Menon; Dr. P.K. Kelkar; Dr. V.S. Jha; Shri L.R. Nair; Shri J.P. Naik; Shri S.L. Ahluwalia; Shri S.K. Chakrabarty; Dr. J.N. Kaul.

### APPOINTMENT

The Committee on Audio-Visual Aids in Higher Education was constituted under the University Grants Commission in 1967 to consider how best radio, films, and other audio-visual aids including programmed learning could be used in the field of higher education in Indian universities and colleges.

### TERMS OF REFERENCE

(a) To report on the present position of the use of audio-visual aids in higher education in India.

(b) To assess the possibilities of their development with particular reference to institutions of higher education in India.

### CONTENTS

Foreword ; Appointment of the Committee ; Present Position of Audio-Visual Aids in Higher Education in India ; Scope and Development of Audio-Visual Aids in India ; Summary of Observations and Recommendations ; Annexures I to X.

### RECOMMENDATIONS

The need for extensive use of audio-visual aids springs from a realization of the fact that teachings supplemented by "sight and sound" facilitate and enriches the learning processes. The audio-visual aid make the best expertise available to students even in institutions which cannot possibly attract teachers of the highest calibre.

The spectacular growth of knowledge in recent years has also rendered the conventional methods of teachings somewhat inadequate. With the help of audio-visual aids concepts are more precisely developed and pre-

sent to students in a manner which leaves an abiding impression on their minds.

Another advantage of audio-visual aids is that they can be repeated over and over again. Thus audio-visual aids help not only to universalize the process of education but also to improve its quality.

The fullest value of an aid is realized when the teacher is fully trained to apply it to the best possible advantage. The aids have become indispensable to the teacher and the better trained he is the more effectively and usefully he can utilize them.

Until recently, little attention was paid to the use of audio-visual aids in our educational institutions partly because of lack of financial resources and partly owing to lack of proper appreciation of the role of audio-visual aids in teaching and learning. The impact of audio-visual aids has been very limited at all levels of education in India.

A questionnaire issued by the committee to universities and institutes of technology in order to have an estimate of the present use of audio-visual aids in institutions of higher education in the country indicates that universities have generally a good number of audio-visual aids and the response of students is generally enthusiastic.

### Films, Filmstrips And Slides

Films, filmstrips and transparencies are being increasingly used in educationally advanced countries as visual materials which can be used in any teaching situation when it becomes necessary to demonstrate a point, a fact, an idea or a process. The slide has the additional advantage, which it shares with film-strip that it can reproduce visual images which cannot be drawn on the black-board at all, howsoever skilful the teacher. Filmstrips are usually accompanied by self-contained teaching notes and as such a skilfully made and carefully planned filmstrip is extremely useful as it can provide in one packet well-organised text and illustrated teaching material. The sound filmstrip would be useful in technical institutions in areas where skills and assembly of materials are needed to be taught.

The filmed lecture is in many situations superior to a tape recording of the lecture, as it involves both sight and sound and, imaginatively made, it can be superior to the lecture itself. It is also possible for a film to be a temporary substitute for a good lecture and thus help in overcoming the shortage of good teachers by filming lectures of distinguished teachers. Film can also be used for recording scientific experiments and as such has a special value in higher education from where research and new ideas emanate.

It is understood that a committee appointed by the Commission has recommended that the University Film

Council should be transferred to the IUB where it could have the benefit of being a part of the university system and that the Ministry of Education should provide adequate support to the IUB to continue and vitalize the activities of the council. It is hoped that the UGC will find it possible to take up this matter with the Government of India so that the University Film Council is revived at an early date.

The University Film Council, when revived, should make a comprehensive survey of the availability and use of films and filmstrips in higher education in India. The survey should also make a study of the use of films and filmstrips in higher education in other countries. It should also be a part of the survey to obtain information about the work done by international film and television organisations to promote the use of films and television in science and culture.

Serious attention will have to be paid to the production of educational films directly related to course contents in various branches of knowledge. The revived University Film Council could play a useful role in making a beginning in this regard. The Council could also take up research to determine the areas in which the production of films and slides may be taken on a priority basis.

### University Broadcasts

The keen interest shown by the AIR in broadcasting educational programmes for the university community in India is most welcome. It is, however, clear that as yet there is no systematic attempt to reorient the programmes with the specific objective of supplementing and enriching classroom teaching, except for students of the correspondence course.

It would add to the value of university broadcasts if they are organized in such a way that a complete series of talks by eminent teachers on some topic of interest to university students is planned and broadcast.

The AIR should explore the possibility of increasing the duration of university programmes and bringing about greater coordination among the programmes of various stations in order to avoid unnecessary duplication of themes.

In order to enhance the value of university broadcasts, tape-records of the lectures given by eminent scholars and outstanding teachers should be supplied to the universities or to the University Grants Commission for wider circulation. It would also be useful if scripts of educational talks broadcast by the All-India Radio are printed or cyclostyled and circulated as is done in some other countries.

It would be useful if the AIR could, in consultation with the UGC set-up a small committee to review the working of its university programmes.

The main advantage of television over other audio-visual aids like films and film-projectors is its built in system of distribution which enables students and teachers to watch the programmes telecast by the national or regional television centres without the aid of any technician.

It is understood that an internal and a global satellite are being launched over the Indian ocean in the near future and that every State will have relay-stations which will provide additional audio channel thus facilitating simultaneous rendering into regional languages. The preparatory study of the pilot project prepared by the UNESCO expert mission in cooperation with the team of Indian experts appointed by the Government of India indicates that this system will play an important role in increasing expansion of educational facilities at all levels, lessening the isolation of the teacher and improving the quality of his education, unifying curriculum in science and mathematics in all the states and in promoting the teaching of all the regional languages of India.

There are two handicaps to the expansion of television in the country; the limited financial resources of the government, and the inadequacy of purchasing power of the people. It is, however, a matter of gratification that the government is making a beginning towards the expansion of TV facilities.

It would be helpful if more seminars on television like the one arranged by the Institute of Mass Communication are arranged and experts in TV technology and university curricula are brought together to plan TV programmes in order to use the projected satellite system as effectively as possible.

The open circuit television at Delhi could be used more fully for educational purposes with a little more investment in equipment and staff. It should be possible to televise lectures, demonstrations and operations by outstanding scholars and scientists. Appropriate samples of the work being done at the national laboratories, courses designed to keep teachers informed of the latest developments in their subjects, refresher courses and courses for correspondence students and of evening classes could be arranged when the time for telecast is increased in the near future, and television stations are set-up in other metropolitan towns.

The use of closed circuit television on a large scale may, however, be ruled out in the present stage of our development in view of high cost (about \$ 2,90,000 per unit) involving foreign exchange. If funds and foreign exchange are available, an attempt should be made to develop those areas of instruction in which there is acute shortage of qualified teachers and necessary

equipment. Institutes where closed circuit television can be used with advantage provided they have adequate resources and technical know-how, are engineering and technical institutions, medical colleges and institute and agricultural colleges and universities.

If for some reason, the setting-up of the satellite project is delayed or postponed indefinitely, it would be worth-while assisting one or two universities to set-up a CCT for instructional purposes. This will provide invaluable experience and experimental data for effective utilization of the facilities when the project is completed.

### Programmed Learning

There is a need for developing methods which will help assimilation of text materials and skills by the students at the optimum level in the shortest time possible. Research is, therefore, necessary regarding the functioning of the human train in teaching-learning situation, in development of instructional materials for students of different abilities and for different types of institutions and in identifying the situation, the concept and the conditions in which programmed learning can be most effective.

some of the areas in which instructions can be developed through programmed learning are : (i) English as a library language ; (ii) learning of Indian languages ; (iii) teaching of foreign languages ; (iv) science and mathematics ; (v) professional and medical education ; (vi) programmed learning for gifted and retarded students ; and (vii) programmed learning in correspondence courses.

The need for proper training in the techniques of programmed learning has also to be stressed. It is only when the programmes are prepared with imagination and understanding that absorption at the receiving end is quicker and deeper. It would be useful to have active collaboration between the subject experts and the psychologist in the preparation of programmes, since the psychologist can bring to bear upon the subject matter an understandings of the cognitive process of learning.

The centres selected for development of programmed learning should be concerned primarily with the training of personnel and production of materials. Research activities would follow and may have to be developed in a specialised institution. To begin with, a few university centres might be selected for development of programmed learning and those interested in the development of instructional material in the university sent for training abroad, if necessary. These and other programmes of audio-visual education could best be developed by the schools of education proposed to be supported by the University Grants Commission,

## Language Laboratories

Language laboratories should be set up in as many universities as possible and in at least one university in each state. The cost of setting-up language laboratories in ten universities during the fourth plan would be Rs. 7,50,000 at approximately Rs. 75,000 per laboratory. The recurring annual cost would amount to about Rs. 40,000. There are of course certain ways of cutting these costs. The initial cost can, for example, be reduced by having less than 40 booths. Cuts can also be made in the monitoring and or materials preparation staff.

Careful planning is necessary before the setting-up of a language laboratory. Before a laboratory is set-up, it must be ensured that a strong language teaching programme already exists. The appointment and training of additional staff for the preparation and use of tape materials will also be necessary. The minimum needs of universities in regard to staff will be one full-time lecturer for approximately every 12 hours the laboratory is to be in operation and the appointment of another for each group of students which requires a set of materials to be written and pre-recorded. On the technical side a full-time technician with a diploma in sound engineering will be needed for the first year, and thereafter a part-time technician to attend to the laboratory during the hours of its operation.

Resolutions 43-45 adopted by the All-India Seminar on the Teaching of English (2-4 December, 1967) emphasizing the need for a more careful assessment of the costs versus the benefits of installing a laboratory, the full exploration of the possibility of producing laboratories from locally available components, and the training of technicians to operate them are fully endorsed.

The first important step in developing the use of audio-visual aids in the field of higher education is to create an awareness among university and college teachers that educational technology is possible and feasible. Some central organization should be encouraged and assisted to disseminate information on the role and application of audio-visual aids to the universities and colleges in the country from time to time. It would be extremely useful if a quarterly or a bi-annual bulletin containing the information on the latest advances in the development and application of audio-

visual aids in the developed countries of the world and on new experiments conducted in India is brought out.

The University Grants Commission may sponsor four or five seminars at different university centres to discuss problems of resources, training, production and distribution of materials and information on audio-visual aids.

Many universities should be in a position to set-up immediately audio-visual units by pooling the equipment and other facilities already available with them. The UGC may explore the possibility of providing some assistance (Rs. 10,000 NR + Rs. 5,000 R for a period of five years) to such of the universities which are keen to set-up audio-visual units on an inter-departmental basis.

The UGC should also encourage research in the production and application of audio-visual techniques with special reference to higher education.

Steps should also be taken to set-up immediately three or four centres of educational technology in selected universities. The universities which have strong departments of the regional languages, education, psychology, sociology, electronics and engineering may be selected for the establishment of the proposed centres of advanced educational technology with the faculty of education as the coordinating agency.

The UGC may also set-up a standing committee with representatives from bodies like the Indian Institute of Mass Communication, Department of Audio-visual Education of the NCERT, All-India Radio, Film Institute of Poona and Indian Association for Programmed learning in order to coordinate the activities of the proposed centres of educational technology, the University Film Council when it is revived and other agencies interested in audio-visual aids and to advise the centres in regard to their programmes and policies.

The Department of Audio-Visual Education of the NCERT may be strengthened and its functions made more broad-based to enable it to extend its activities to the universities and colleges. It is understood that the department of audio-visual education of the NCERT has facilities for training school personnel for use of audio-visual aids. This facility could be extended to the staff of the interested universities also. The Ministry of Education of the Government of India may examine this and extended to the department whatever help is necessary to enable it to meet the requirements of the universities.

# PANEL ON POLICE STATION BUILDINGS, 1967—REPORT

New Delhi, National Buildings Organisation, 1967. 14p.+9 Charts.

Chairman : Shri C.B. Patel.

Member : Shri Shiv Kumar Lal; Shri S.N. De Silva; Shri S.P. Marathe; Shri Pyare Lal Sharma; Shri T.K. Srinivasan; Shri Parmanand Gajaria; Shri H.D. Nargolwala; Shri M.A. Hafecz.

Members-

Secretary : Shri P.C. Shah.

## APPOINTMENT

The Panel on Police Station Buildings was constituted by the Government of India; Ministry of Works, Housing & Urban Development in 1967.

## TERMS OF REFERENCE

To lay down planning norms and design considerations of Police Station buildings.

## CONTENTS

Preface; General; Location; Schedule; Space Standards; Parking Garages; Cycle Stand, Amenities/ Canteen; Residential Accommodation; General Design Considerations; Building Economy; General Outline Specification of Cells; Fittings; Services; Charts.

## RECOMMENDATIONS

### General

As the first step, the Panel visited representative police stations in selected regions of the country to study the organisation of space in existing police stations and co-relate the scale of facilities provided with the functional requirements and to evaluate the features which in the opinion of the users helped or interfered with the efficiency of smooth working of the police stations. Detailed discussion were also a help with the concerned senior officers. To take benefit of the work already done in standardising the space requirements of police station buildings, the Police Chiefs of all States and Union Territories were requested to send copies of the type design evolved and the rules framed for the construction of police station buildings.

Based on these studies, the Panel came to certain conclusions regarding space requirements and organisation of space in a police station building which are spelt out in this report.

Object : The prime object to this report is to make avail-

able in convenient form the accumulated experience of various disciplines concerned with the use and construction of police station buildings to help the police authorities and the construction agency in the task of designing police station buildings or in remodelling the existing ones on functional lines and is in no way intended to fetter the discretion of police authorities who wish to provide buildings to meet the proved operational needs of the locality. Procedural efficiency and coordination of work at all levels have direct bearing on space requirements and can considerably simplify problems. The study of police stations in Madras State amply proved the effect of organisation and efficiency of work on the space requirements.

Just as the efficiency of work influences the space requirements, the same way organisation of space affects the efficiency of work. The prime consideration is to the use available public funds to the best advantage and in a way that contributes to the efficiency of services, the police can render to the public. The recommendation made herein, it is hoped, would help to achieve the above aim and would be interpreted with this common interest in view.

Size : The quantum of population to be served, however should neither be so small that optimum utilisation of space and personnel is not made nor should it be so large so as to make satisfactory coverage of the population served difficult. The wide range of factors involved precludes the prescription of rigid principles. However, normally a police station should not be planned to cover more than 1,50,000 persons or 130 sq. km. area.

### Location

As the police station provides an important public service, the station should be well served by public transport and should be in a central and conspicuous position so that it is known to the residents of the area and is easily found by those coming from outstations. Good access to maintain thoroughfare is also important.

The development plans now being prepared by Town Planning Authorities provide much useful information from which police authorities can estimate their requirements and get suitable sites of requisite area earmarked for the stations at the planning stage. This would ensure a planned development of the police services.

Requirements of land would depend on the number

of staff quarters and other facilities proposed to be provided in the compound. Normally, an area of 0.81 to 1.62 hectares for Class 1st police station should be aimed at to cater for the future needs also.

Where land is scarce and costlier, the design of police station should be in two or more storeys—Ground and First Floors may be planned for police station requirements and the Upper Floor or Floors for residential accommodation. The type of residence will be governed by the scale of accommodation laid down by the State Government concerned.

#### Schedule

For the purpose of working out schedule space requirements, the police stations can be broadly classified as under :

(a) Class I police stations (Important stations at State Headquarters, Corporation areas or cities with more than 5 lakh population);

(b) Class II police stations (urban areas—towns and cities);

(c) Class III police stations (rural areas for a group of villages);

(d) Police outposts.

The schedule of accommodation for the above categories of police stations is given below subject to such modifications as might be necessary to suit the operational needs of the area :

#### Class I Police Stations

- (a) Reception-cum-Enquiry Room;
- (b) Station Writers Room;
- (c) Station House Officer's Room;
- (d) Rooms for Investigating Officers at the rate of one room for two Investigating Officers.
- (e) Interrogation Room;
- (f) Record and Office;
- (g) Property Room/Malkhana;
- (h) Armoury/Strong Room;
- (i) Male Lock-up;
- (j) Female Lock-up;
- (k) Wireless Room, if necessary;
- (l) Off-Duty Room;
- (m) Garages as per requirements;
- (n) Visiting Investigating officer's Room;

#### Class II Police Stations

- (a) Enquiry-cum-Station Writer's Room;
- (b) Station House Officer's Room;
- (c) Investigating Officer's Room at the rate of one room for two Investigating Officer;
- (d) Record and Office;
- (e) Property Room/Malkhana;
- (f) Male Lock-up;

- (g) Female Lock-up;
- (h) Off-Duty Room
- (i) Wireless Room, if necessary;
- (j) Garages as per requirements;
- (k) A separate Armoury/Strong Room;
- (l) Visiting Investigating Officers Room;

#### Class III Police Stations

- (a) Station Writer's Room;
- (b) Station House Officer's Room;
- (c) Investigating Officer's Room;
- (d) Record and Office;
- (e) Property Room/Malkhana;
- (f) Male Lock-up;
- (g) Female Lock-up;
- (h) Off-Duty Room;
- (i) Wireless Room, if necessary;
- (j) Inspection Room, if necessary;
- (k) Garages, if necessary;
- (l) Stables for horses, kennel etc, according to the needs.

#### Outposts

(a) Constable's Room	:	14.88 sq.m.
(b) Office Room	:	7.44 sq.m.
(c) Store	:	5.57 sq.m.

#### Notes

(a) Adequate toilet facilities separately for the visitors/officers, constables and the under-trials shall be provided in all police stations.

(b) In addition to the accommodation listed above, office accommodation for the Circle Inspector, Traffic Branch, shall be provided in police stations wherever required.

(c) Provision of residential accommodation for 80 per cent of the total strength shall be made in the compound or in the vicinity of the police station.

(d) Provision of Off-Duty Room to be made where barracks are not provided.

(e) A larger lock-up area is recommended in areas with total prohibition.

(f) All police stations in border areas are to be built on defensible type—buildings protected by high walls on all sides with only one entry as a guiding point.

(g) Where land values are higher, the design of police stations should be of two or more stories as stated in para 3.4. This applies to Class I police stations only.

#### Space Standards

The space requirements for various rooms listed above shall be as under :

Reception and enquiry : An enquiry counter and a

waiting space should be available to the public near the entrance. The counter can either be in continuation to the Station Writer's desk or easily accessible from it, so that the Station Writer can also attend to the public in the absence of the Enquiry Clerk. The Waiting Room space should be of adequate size for the average number of persons likely to be present at any one time. The actual requirements can be assessed on the basis of past experience. Generally a floor area of 13 to 14.88 sq.m. would be required to provide a respectable and convenient waiting space. Waiting room is not necessary for Class III police stations.

**Station Writer's Room :** Except the important police stations in the State Headquarters, the first contact of the visiting public would be with the Station Writer who would guide them or register their complaints. This room should, therefore, be near the entrance and have adequate waiting space. An area of 14.88 sq.m. for the Station Writer inclusive of waiting space is considered necessary. In police stations where separate enquiry and reception room is provided, the Station Writer's cabin can be of 11.15 sq.m.

**Station House Officer's Room :** Station House Officer is in charge of the police station. His office room should be approachable without crossing other operational areas of the station. It would save space if the waiting space provided near enquiry/Station Writer's room can also serve the visitors desirous of seeing the S.H.O.; otherwise a separate waiting space in the form of an Ante Room (if necessary) of about 7.44 sq.m. area, particularly in Class I police stations, should be provided. For S.H.O's Office, an area of 13 sq. m. is considered necessary.

**Investigating Officer's Room :** An area of 6.5. sq.m. per Investigating Officer is recommended. Depending on the functional needs, a room or rooms for the Investigating Officers may be provided, but the minimum area of a room shall, however, not be less than 9.29 sq.m.

One of the room for Investigating Officers should be located in a discreet corner away from the praying eyes and listening ears of gossip mongers for use as Interrogation/Interview room also. In a police station, where four or five Investigation Officers use a single room, a separate interrogation room would be necessary. Wherever provided, the area of interrogation room should not be more than 7.44 sq.m.

**Record and Office :** An area of 1.4. sq.m. per official including Station Writer's and Clear would be required for Station records and stationery 3.72 sq. m. per clerk working in the office. The minimum area of office and record shall not, however, be less than 14.88 sq. m. in Class I and II police stations and 9.29 sq.m. in Class III police stations.

**Property Room/Malkhana :** The period for which the property is kept under police custody considerably influences the space requirements. In Madras State, for example, the property after necessary formalities is transferred to Judicial custody. As a result, even in Class I police stations, the Malkhana is about 11.15 sq.m. in area and the space provided was quite adequate. In police stations where the property remains in the police custody during trials, an area of 37.2 sq.m. provided for Malkhana appeared to be inadequate. The economic size of the Malkhana can therefore be best decided on the basis of experience and procedure. Normally, a floor area of 14.80 sq.m. for Class I and II police stations and 9.29 sq.m. for Class III police stations would be required. A godown should be provided in addition to Malkhana where goods captured under Foodgrains Control Order, Opium & Excise Acts, are likely to remain for longer period. The goods not likely to deteriorate should be properly stored in open courtyard. The godown should be provided, where necessary in addition to the space for storing prohibited articles, in places where there is prohibition. The size of the godown should be provided where necessary, in addition to the space for storing prohibited articles in places where there is prohibition. The size of the godown will depend upon the nature and quality of goods captured.

Design and detail of Malkhana would determine the storage capacity. A rectangular room with steel racks or R.C.C./Stone shelves along three walls would considerably increase the storage capacity. The effort should be to provide maximum possible shelf length in the given floor area and in a manner that affords easy accessibility and supervision of the article stored.

Where a strong room for arms, ammunition and valuables is not provided, suitable space should be provided to accommodate wooden racks for arms, lockable box for ammunition in a way that the force can be armed in the least possible time. For valuables, a built-in safe in the Malkhana would be necessary.

**Armoury and Strong Room :** Armoury, and Strong Room should have racks for arms, lockable box for ammunition and a safe or built-in steel almirah for valuables. An area of 13 to 14.38 sq.m. for arms and strong room is recommended.

**Lock-Ups :** Generally the lock-ups in police stations visited were badly lighted and ventilated and basic facilities for human habitation were not provided in these. Whereas the security and safety of the under-trials is an essential element of cell design, it would not be fair to deny the basic facilities to persons of questionable actions or characters and whose guilt has not been established. Repressive atmosphere of lock-ups can no longer be justified as a means to inspire awe and



fear of the police power in a democratic set up. The Panel, therefore, strongly recommends better physical facilities should be considered as minimum physical facilities.

As the construction authorities may not be familiar with the special features of the design and detail of lock-ups, a suggestive specification and design of lock-ups is appended with the report.

The space requirements of the lock-ups would depend on the average figure of maximum number of persons likely to be detained at any one time. In a majority of cases, such average shall not be more than 10 male and 5 females in Class I and Class II police stations and 5 males and 2 females in Class III police stations. Unless the needs of the area demand a different figure, the lock-ups should be designed for the above number. A larger lock-up area is recommended in areas with total prohibition.

A floor area of 2.34 sq. m. per person in the lock-up is recommended exclusive of the area occupied by the lavatory block which should be separate for males and females.

Males and females lock-ups should be separate to check view for oral communications between the two. For males, one or more lock-ups may be provided to suit the needs. Two or three male lock-ups (in Class I) would be desirable for isolation and segregation of prisoners.

A kitchen of an area of 7.44 sq.m. inclusive of store should be provided where there is no contract system for preparation of food for detenus.

**Wireless Room :** Wireless Room should be located in a quiet corner away from the general flow of traffic. An area of 9.29. sq.m. inclusive of space requirements for batteries, etc. is recommended. A room for generator is to be provided where electricity is not available.

**Off-Duty Room :** An off-duty room for 30 per cent strength of constabulary would be required, where barrack accommodation is not provided. Lockers for keeping personal belongings and uniforms would be required in or near the off-duty room so that the staff, when not on duty, can change to civilian dress.

An area of 1.86 sq.m. per person exclusive of the area occupied by lavatory block would be needed for off-duty room. Minimum area of off-duty room shall not, however, be less than 13 sq.m. In calculating the space requirements of off-duty room, the strength of the traffic force should also be included.

**Office of Circle Inspector :** Office accommodation for the Circle Inspector and his Office would be required in police stations that are also to function as headquarters of the Circle Inspector and a room of the same area for his office and record would be required at such police stations.

**Office of Traffic Inspector :** In certain police stations it would be necessary to provide accommodation for the traffic branch also. Wherever required, an area of 36 sq. m. suitably divided for the Inspector/S.L. and the staff is recommended.

**Visiting Investigating Officer's Room :** It should be approachable directly from outside and located at a place that is not noisy.

An area of 13 sq.m. suitable divided between bed and sitting with any attached lavatory block is recommended. The area of lavatory block may not be more than 5.57 sq.m.

**Lavatory Facilities :** Lavatory facilities on all floors should be grouped according to the convenience for use and economy in plumbing. Two wash basins, one W.C. and two urinals for officers and the visiting public should be provided. The scale of fittings for the other ranks shall be as under :

Water closet	: One for every 25 persons or part thereof.	
Urinals :	Up to 6 persons	Nil
	From 7 to 20 persons	1
	From 21 to 45 persons	2
	From 46 to 70 persons	3
	From 71 to 100 persons	4
	From 101 to 200 persons	Add at the rate of 3 per cent
	Over 200 persons	Add at the rate of 2.5 per cent.

**Wash Basin** One for every 25 persons

Due allowance shall be made for women staff. Place which are not served by Municipal Sewage Line, earthen type latrines should be provided, connected to septic tank.

**Parking Garages, Cycle Stand :** Garages are necessary for the protection and safety of vehicles. These should be provided in a separate structure unless site limitation dictate to contrary. This would facilitate adoption of lower specification for the construction of garages.

Garages 3.05 m. x 6.7 m. for jeeps medium size cars, station wagons and large cars would be required. The garage should also be provided in places where garages are to be turned into stables. In addition to these garages, a garage for truck of the size of 3.66 m. x 10.97 m. is also recommended. The number of garages required would depend on the number of vehicles attached to the police station one of the garages should be provided with an inspection pit.

In addition to the garages for the staff cars, parking space and cycle shed would also be required in Class I and Class II police stations. The size of the cycle shed should suitably be fixed after assessing the number of

cycles used by the police station staff. An additional parking space of 25 per cent for cycles should be provided for visitors.

#### Amenities/Canteen

In Class I and Class II police stations, it would be desirable to provide canteens on upper floors and or with the off-duty rooms.

Wherever provided, the area of canteen including Kitchen shall not be less than 18.58 sq. m. or  $x/2 \times 1.12$  sq. m. where X is the number of persons working in the police station.

#### Residential Accommodation

Provision of residential accommodation for the 80 per cent staff in the police station compound or in the vicinity is considered an essential measure to promote efficiency of work. Barrack accommodation for the constabulary is not considered desirable and as far as possible married accommodation for all ranks should be provided. However, where due to paucity of space it is not possible to provide married accommodation for the total strength of the constabulary and the barrack accommodation is the only solution, an area of 4.65 sq. m. per person in the barrack should be provided. Almirahs for keeping personal belongings and a shelf for use as a table should be provided with every bed. Thereto Class IV quarters for cooks, sweepers, etc., should be provided in the vicinity of the police station buildings.

The scale of sanitary facilities for barracks should be worked out on the following basis :

- (a) Water closet with ablution taps—one for every 8 males and one for every 6 females.
- (b) Urinals—one for every 25 persons or part thereof.
- (c) Bath—one for every 8 persons.
- (d) Wash basins—one for every 8 persons.

Space requirement of dining room and kitchen should be worked out on the basis of number of persons to whom the meals should be served in one-third the number of resident constables and more than 50 per cent.

A table space of 50 cm long and 140 cm deep per person is necessary for dinning. Considering this size and the necessary service space, an area of 0.84 to 0.93 sq.m. per seat is recommended. For seating, benches should be provided instead of individual chairs as these are economical and easy to keep in order. The layout of tables should be related to easy traffic in and out of the servey or foyd counter. Adequate length of counter and adequate circulation space adjoining counter in which queuescan stand, is important 1.5 to 3m. long service counter would be adequate for 10 to 100 persons.

The size of the kitchen store and servery should be worked out at 1.22 m. per dining seat provided. The area of dining and kitchen should be so organised that it would be divided for vegetarians and non-vegetarians. Platform type chullah should be provided as these are hygienic.

Electric fans in barracks, dining room and canteen should be provided wherever electricity is, available ; otherwise the necessary provision for installing fans should be made in all designs.

#### General Design Considerations

A single rectangular building is to be preferred where the site permits. Such a design allows for additions in the E, T or U Forms and these forms themselves can easily be added to. If the building has to be designed on a restricted site and has to include provision for its future enlargement the planning should allow for the addition of one or more extra storeys. In any case, the situation and size of rooms serving general operational and other needs should be considered in relation to the possible expansion in the future. Plans in the form of an enclosed square are not economical and create difficulties, if any extension is required.

In the organization of spare and grouping of rooms, consideration must be given simultaneously to the function, the structural system and the beauty of the environment. Spaces for different functions are to be separated, related with other spaces and inter-related in a harmonious pattern. The relationship of various components of a police building are given in the figure.

Every building fills a function if it is to work properly. In view of the ever-increasing rationalisation in all fields as well as increasing building cost this fact is more important today than ever. To adapt a building to a certain function means that it would be planned and equipped in such a manner that the purpose it is going to serve can be accomplished in the most suitable efficient and economical manner. Collaboration of architect and police officers at the initial stage is very desirable. The architect and the police officers can discuss to decide the best arrangement to suit the local needs.

Consideration of physical and mental welfare of the staff and the visitors should also be one of the objective of design. The factors that affect physical environment are lighting, ventilation, thermal comfort, detail of design. In a tropical country, the importance of proper orientation assumes special importance.

#### Building Economy

Economy is a primary need of the day. All efforts

should be made to achieve the maximum utility out of the minimum expenditure. There is a big difference between a low-cost and an economical building. The term low-cost has a limited meaning, referring only to the relative price of a building. The term economy on the other hand is much broader and refers to the management of the means and resources with a view to enhancing productiveness and avoidance of waste both in planning and operation of a plant. Economy as a planning factor is concerned just as much with the comfort and convenience of working and the environment as that of the fabric of the envelope.

Design of structure, specifications of materials and methods of construction of work at site are various functions that influence the cost. The standards of surface finish are as important as architectural and structural planning as these materially affect the cost of construction. Therefore, while drawing out the specification of finish the cost and the functional requirements should be very carefully weighed.

Passage space, wall perimeter and size and number of doors and windows should be related to the functional requirements. Passage space need not be more than 1.52 m. to 1.83 m. wide and preferably it should not occupy more than 30 per cent of the area thus giving design efficiency of 70 per cent.

Elevation, the style and form are other important factors that affect the cost of construction. This is a matter which must be left to the taste of the architect and it is hoped that he would, in the general composition of the design, consider the economy aspects.

#### General Outline Specification Of Cells

1. (a) Walls : All walls shall be of brick or stone masonry or any such sound walling material. External walls in case of bricks should not be less than one and a half brick.

(b) Floors : Special requirements over the normal tile on cement concrete floor construction will be unnecessary. Bricks or tile brick floors shall not, however, be provided.

(c) Roof : Construction of the roof or the ceiling slab shall be either of in reinforced concrete or of slab precast concrete units. Hollow concrete or tile blocks shall not be used.

#### Fittings

(a) Doors : The cell door, approximately 90 cm x 200 cm overall shall be single hung and constructed of mild steel with solid squared or channel framing. Channel stiffeners shall be incorporated in the framing to provide fixing for the hinges. The frame shall be secured at either side by two steel lugs built into the wall and at the bottom and top securely anchored into the C.C.

All edges of the door and frame construction shall be rounded off. Guide channels of the locking rod shall be welded and revetted to the main door and the rod shall be sufficiently long for the locking arrangement to be built into wall in a distance of 60 cm from the door opening. In W.C. attached to lock-up, a wooden door shutter without locking arrangement is to be provided opening externally.

(b) Windows : The cell and W.C. windows shall be of glass and ferro-concrete construction consisting of a main reinforced frame subdivided with vertical and horizontal reinforced concrete ribs at 16.5 cm, centres glazed with 13 x 13 x 0.6 cm thick toughened or armoured plate glass. The total opening shall not be less than 20 to 25 per cent of the total floor area in hot and humid region and 12 to 15 per cent in dry and hot region. Two-thirds of this shall be glazed as indicated above and the top 1.3 shall have mild steel bars built into the concrete ribs. Reveals shall be formed in the brickwork and the reinforced concrete sill and the reinforced concrete upstands shall be cast as the brickwork proceeds.

The window and ventilatory should be provided with close mesh expanded metal fixed inside besides iron bars (outside) in order to discourage suicide by hanging ropes to the bars.

(c) Cell Bench : The bench/berth shall be 70 cm. wide and 45 cm. high from finished floor level, constructed of reinforced cement concrete or stone slabs, firmly placed on solid masonry.

#### Services

(a) W.C. : Indian type W.C. shall be firmly built into the floor and the flushing cistern shall be provided on the corridor side which can be operated by a chain from the W.C. compartment or from the corridor side. All services and fittings shall where possible be buried in the wall or cased into prevent wilful damage.

A 40 cm x 30 cm precast C.C. observation aperture shall be provided in the corridor wall, the centre of the aperture being 1.52 m. from floor level. The inner face of the aperture shall be splayed back being to a 6.3 cm. diameter rebated opening which shall be glazed with toughened plate glass bedded in putty secured on the corridor side by a 0.5 cm. thick circular steel frame fixed with screws and blocks. The observation aperture in W.C. for females shall have 0.3 cm. thick steel pivoted cover flap.

(b) Electric lighting : The electric light shall be provided in a glazed steel box fitting built into the wall at ceiling level centrally over the cell door. The box shall be reinforced on the wall side by a mild steel angle or TF-frame welded to the box. All conduit shall be heavy gauze galvanised screwed steel and shall be buried in

the ceilings and walls sufficiently deep to allow minimum cover of 2 cm.

In the W.C. robust type of bulk head surface fitting on the ceiling on the centre line of the opening between

the call and the W.C. block shall be provided for general lighting of the W.C. and for use as a night light.

Control switches of all lights shall be in the corridor and inaccessible to the prisoners.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR PLANTATIONS (TEA), 1967—REPORT

Delhi, Manager of Publications 1969. 105p.

Chairman : Shri A.K. Roy.

Members : Mr. E.H. Hannay; Shri K.K. Chakroborty; Shri V.I. Chacko; Shri M.A. Rahman; Shri S.M. Narayanan; Shri Manoranjan Roy; Shri L.M. Prodhan; Shri G.C. Sarmah.

Member-Secretary : Shri Banmali Sharma.

### APPOINTMENT

The National Commission on Labour constituted the Study Group for Plantation (Tea) in 1967.

### TERMS OF REFERENCE

To analyse available information and project its thinking on Labour Problems in the industry for the years to come taking into account the possible development in the industry.

### CONTENTS

Foreword; The Tea Plantation Industry; Recruitment and Employment; System of Wage Payment and Wage Fixation; Plantation Labour Act, 1951; Labour Welfare; Social Security; Legal and Administrative Arrangements; Organisation of Employers and Workers; Industrial Relations; Conclusions; Appendix; Annexures I and II.

### RECOMMENDATIONS

1. The wage structure, service conditions and fringe benefits available to the labour in the case of the plantation industry, specially of the tea plantation industry, are not the same as those of the workers in other industries. Also, there are some problems which are peculiar to the Tea Plantation Labour. These arise because most plantations are situated in areas which are not otherwise industrially developed. It would, there-

fore, perhaps be proper to highlight some of these problems and peculiarities in the concluding part of the report of the Study Group. Solutions to some of these problems are difficult. Some remedial measures have been recommended by the Central Wage Board for Tea Plantation Industry (1966) and also in the report of the One-Man Committee on the Employment Position in Plantations (1965). However, attempts should be continue to improve the conditions of the labour, keeping in view the need for good health of this important export-oriented industry.

#### Basis of Wage Structure

2. \*The wage structure at present prevalent in the tea industry is the same as that recommended by the Wage Board. This has been dealt with in detail in the body of the Report of this Study Group. It will be noticed that the wages fixed are comparatively low in relation to the wages fixed in other important industries. The implied assumption of the Wage Board Report was that every worker had approximately 0.5 dependants apart from himself. The employers had pleaded before the Wage Board that the ratio should be maintained at this level because as they said, in the plantation industry wives always got employment; and also fringe benefits, which were many and included subsidised food supply, were available to the families of the workers. On the

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\* We cannot agree with the conclusion here. So long as the system of family employment exists, the labour intensive character of the industry remains, the unions object to rationalisation of work and the employers have to meet the obligation to provide a comprehensive range of welfare and social security benefits, it will not be possible to ignore the number of wage earners in the family in fixing wages of tea plantation workers.

other hand, the point of view of labour has always been that the tea plantation labour should not be discriminated against on the count that his wife could possibly get employment in the plantation. In many cases, the worker was unmarried or a widower, in which latter case he had to maintain children also. The labour's point of view, therefore, is that minimum wages in the tea plantation should be fixed on the basis that on an average every worker is required to earn for three consumption units. In any case, there appears to be a good case for re-examining this question.

3.  $\ddagger\ddagger$  Among the fringe benefits given, subsidised food costs the employers a very large amount of money. The employers are therefore anxious to convert this benefit to its cash equivalent. In view of the recurring shortage of food in the country, the workers are reluctant to give up the present system.

This question of sharing the benefits of increased productivity arises also in many other industries. The workers demand that they should get their full share in these benefits and the Committee is of the opinion that in the tea industry also the workers should not be denied their share in the gains in the increased productivity.

Rationalisation is a question of national importance. It is true that in order to maintain the competitive position in this important export-oriented industry, we should continuously adopt improved techniques. However, the fear of the labour that this would lead to decreased employment appears to be justified. It is true that it is not the responsibility of this industry alone to maintain the employment level in the country and it is general for the society as a whole. However, the tea labour being placed in a comparatively disadvantageous position, their problems need special emphasis. The Committee are of the view that employment opportunities should, so far as possible, be not reduced in the tea plantation areas.

#### Reduction In Employment Opportunities

4. It is a fact that the number of persons employed by this industry, if taken on a per acre basis has gone down steadily during the last twenty years. On the other hand, the production of tea has gone up for the unit of labour employed. The labour's point of view is that this higher productivity has been achieved by the employers by increasing the work-load or by employing contract labour who are not shown in the rolls of the

Estate. This point was examined by the One-man Committee referred to above, who came to the conclusion that there was no proof that the work-load had been increased significantly.

Large part of the increase in production is due to the better methods of cultivation adopted; such as use of pesticides, fertilisers, weedicides etc. Modern weedicides have reduced the need of a great deal of agricultural operations and have also perhaps increased the fertility of the soil by reducing erosion which took place when weeds were removed mechanically. Also, the larger tea factories are slowly adopting semi-automatic machinery or continuous processes. Whatever may be the cause of this increased productivity, the fact remains that the plantation labour is finding that the number of places available for employment is getting constantly reduced. This is perhaps one of the most serious problems of the plantation labour, and since the problem is likely to be aggravated day by day, the discontentment among the labour in tea gardens will increase.

#### Immobility Of Labour

5. The third serious problem faced by the tea plantation labour is its relative immobility. Tea gardens are situated mostly in such places where other industries are lacking. Also in North East India, where three-fourths of the Indian tea are produced, most of the labour are resident labour. These workers in North East India were brought to these places from other parts of India and have lost contact with their original villages. They cannot, therefore, go back to their villages on superannuation. Also their children normally would seek employment in the tea estate itself in which their parents were employed. The problem is not so acute in South India where the workers still have contact with their villages and can go back there, if necessary. If, as stated above the employment opportunities go down in number, it would cause serious problem not only to the existing labour but also to the growing population in the tea estates. This problem of unemployment is serious in itself, but in the context of the large number of unemployed people in the whole of the country it has been aggravated. Obviously, in this case, there are two possible solutions—one is to reduce the birth rate and the other is to find alternative appointment for the younger people.

6. So far as the reduction in birth rate is concerned, the attempt made by the Government and the various Tea Associations, specially the Indian Tea Association, have borne good results. In the Indian Tea Association gardens, in a period of six years from 1961 to 1967, the birth rate has been brought down from 4.4 per cent in 1961 to 3.1 per cent in 1967, among a resident population of eight lakhs. While the work already done in

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$\ddagger\ddagger$  If the Study Group feels that employment opportunities should not be reduced, then it must accept the basic fact that the level of wages in such a labour-intensive industry cannot be raised further without undermining the industry and its employment potential.

this regard is considerable, further efforts would be necessary.

7. The second important thing that need be done is to give technical training to the children of the tea garden worker. Past experience shows that giving elementary training in blacksmithy, carpentry, leather craft in ordinary schools, etc., is of not much use and the only effective training is the training given by the Industrial Technical Institutes established in various parts of the country. The Tea Board itself has given a large number of stipends for training in these Institutes. However, establishment of such Institutes in tea garden areas along with setting up of more industries in these areas would to some extent reduce the problem for the tea estates.

8. These problems do not affect the working of the tea estates as such and it is difficult to say what the tea industry can do to mitigate the suffering due to unemployment. This is a problem which should engage the attention of the State and Central Governments.

#### Contract And Casual Labour

9. It is a constant complaint of the workers that one reason why permanent employment in the tea estates has been reduced is the tendency of the estates

to employ temporary or contract labour. The workers themselves do not deny that tea industry being a seasonal one there is a need for increased number of workers in some parts of the year and some casual labour are necessary at those times. The allegation that the tea estates were employing such labour at normal times also was investigated by the One-man Committee. The workers allege that the tendency to employ casual and contract labour is growing because thereby the employers avoid giving them fringe benefits, some of which are statutorily provided. This Study Group has not examined this point in any detail. It, however, appears to be the fact that in North East India where the appointment of the casual labour during seasonal peaks is most prevalent, most of the casual workers come from neighbouring villages and are in many cases children of the labour who were working formerly in the tea estates. The employers think that they are not morally bound to give fringe benefits to these villagers who should, according to them, be the charge of the State Governments for their medical, educational and other benefits. This Study Group would recommend that the casual labour should not be employed except to the extent of the absolute minimum, and the employment of contract labour except for special work is not good for the industry.

## STANDING TECHNICAL COMMITTEE ON INDICES OF INPUT COSTS, 1967—REPORT

New Delhi, Ministry of Food, Agriculture, Community Development and Co-operation, (Department of Agriculture), 1967. 50p.

Chairman : Dr. Ashok Mitra.

Members : Shri J.S. Sarma ; Dr. G.R. Seth ; Dr. A.B. Joshi ; Dr. S. Chakravarty ; Dr. A.S. Cheema ; Dr. K. Kanungo.

Convener : Shri R.N. Kaushik.

#### APPOINTMENT

The Government of India in the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Agriculture) appointed the Committee Vide its Resolution No. 7-1/67—Econ. PY. dated February 8, 1967 having under consideration the question

of setting up a technical committee to advise on the technical aspects of the scheme for collection of data on cost of production of sugarcane and other crops and for building up index of input costs. They have now decided to set up Standing Technical Committee to provide necessary guidance in organising the collection of data on indices of input costs and also in organising costs of production surveys on an integrated basis.

#### TERMS OF REFERENCE

To advise on issues connected with the formulation of indices of input costs for sugarcane and other agri-

cultural commodities, likely to be useful informing Judgements on question of Price policy ;

To examine the available data on costs of production of sugarcane and other agricultural commodities ; collected through Farm Management Studies and other surveys, and to make suggestions for bringing, whenever necessary, the available data up-to-date on the basis of ad-hoc judgements and through quick additional surveys ;

To advise on the scope and design of future surveys of cost of production, proposed to be organised on a coordinated basis in different parts of the country, with due regard to the requirements of constructing the indices of input costs ;

To advise on any other matters relating to collection and utilisation of data on cost of production of agricultural commodities, as may be referred to it by the Ministry of Food, Agriculture, Community Development and Co-operation.

## CONTENTS

Introduction ; Need for data on Costs of Production ; Studies for Collection of Cost Data ; Deficiencies in the Existing Data ; Indices of Input Costs ; Proposals ; Summary of Main Conclusions and Recommendations ; Appendices from I to IV.

## RECOMMENDATIONS

Although a number of studies to collect information about cost of cultivation of principal crops have been carried out in different parts of the country, they do not altogether meet the requirements of data for the formulation of price policy. There is need to evolve a scheme for the collection of data on cost of cultivation of principal crops covering different regions so that there would be comparability and consistency between the data for the different areas and the different regions.

As an interim measure, the coverage of the existing schemes, for constructing indices of input costs, viz., the indicator's scheme, operated by the Directorate of Economics and Statistic, and the scheme for Index Numbers of cost of cultivation of Sugarcane, organised by the Regional Office, Sugarcane Development, should be extended to all the sample villages covered under the Regional Farm Management Studies and the Survey of Cost of Cultivation of Sugarcane.

To the extent it is possible, basic task relating to the Indicator's scheme may be entrusted to the Agro-Economic Research Centres and the Farm Management Centres. Where this cannot be done, the Directorate of Economics and Statistics may take the responsibility for the collection of data ?

In addition to the indices already being constructed under the indicator's scheme, index numbers of prices

of material inputs, prices received by the farmers for agricultural commodities and prices paid by the farmers for industrial consumers' goods may also be constructed.

For purposes of the Indicator's Scheme, it may be necessary to bring the weighting diagrams up-to-date in areas where considerable time has elapsed since the Farm Management Studies were initially undertaken. Due priority may be given to repeat survey in such areas to bring the weighting diagram up-to-date.

As regards the weights to be used in the construction of index numbers of prices paid by the farmers for industrial consumer goods, the available N.S.S. Data may be looked into and, if necessary, a quick benchmark survey may be carried out in selected areas. Whatever procedure is followed, it should be adopted uniformly in all the selected areas.

Under the Indicator's scheme, the same farmers need not be approached year after year, but a fresh sample of cultivators may be selected.

The Directorate of Economics and Statistics may carry out a detailed examination of the procedure followed and the weights used by it for the construction of the various index numbers. Interest on working capital and irrigation rates should be taken into account in computing the index of cost of cultivation. In the case of human labour, payment made to hired labour should be considered. For constructing the index of the cost of bullock labour, maintenance cost would be a better basis of assessment than hire charges.

In addition to the scheme for constructing the index of cost of cultivation of sugarcane, a scheme for constructing the index of cost in respect of cotton, on the basis of data collected under the survey relating to the cost of cultivation of cotton conducted by the ICAR, may be prepared by the I.A.R.S. and put into operation. A study may also be carried out to ascertain the changes, which may have become necessary, in the weighting diagram. A sample of Ten villages in each region (i.e. forty villages in all) may be undertaken for the study and the 'cost accounting' method may be followed.

A comprehensive scheme should be introduced for studying the cost of cultivation of the principal crops on all-India basis. A suitable procedure would be to take up studies of different crops by rotation so that while the crops and the samples would be changing from year to year, the same survey staff would be retained.

A detailed survey may be carried out in respect of each principal crop for a period of one year, followed by survey of a sub-sample in the next five years.

In order that the studies may have full practical value, the aspect of shifting technology as also that of

the evolving pattern of cropping and rotational practices should be kept in view.

It is not necessary that, from the very beginning, surveys of the same crop should be carried out in all the states at the same time, but it would be adequate if various important crop zones are covered.

The work under the scheme for studying the cost of cultivation of principal crops in different States may be entrusted, as far as possible, to non-official agencies such as the Agricultural Universities and the Agro-Economic Research Centres in the various States. Where it is not possible to entrust the work to these agencies, the State Governments may carry out the field work till alternative arrangements are made.

A Central Committee of Direction may be set up to provide over-all technical guidance and to proper co-ordination. The Committee may consist of representatives of the Agricultural Price Commission, the Directorate of Economics and Statistics, the I.A.R.S., the Agricultural Universities, the Agro-Economic Research Centres, and a few Experts. A Secretariat may be established in one of the existing organisations such as the I.A.R.S. or the Directorate of Economics and Statistics, for providing assistance to the Committee of Direction in its work and for carrying out necessary

coordination, processing and analysis of data.

In order that comparable data on cost of various crops and regions in the country might be available in future, all the basic concepts and definitions to be used in the Surveys should be decided upon before the actual commencement of the field work. A number of observations on issues relevant in this connection have been included in Chapters IV and VI.

The scheme for studying the cost of cultivation of the principal crops in the country may be put into operation from the Kharif of 1958-69. Necessary action for the processing of the scheme and making arrangements for its implementation should be taken up on priority basis.

Steps should be taken to ensure that the I.A.D.P. data, which are designed to show the impact of improved technology, are collected on the same basis as those obtaining in the case of the comprehensive and integrated scheme for the collection of cost data.

In regard to such crops (e.g. Plantation crops) as are considered important from the point of view of expert, and which would not be covered under the comprehensive scheme, special enquiries, on an ad-hoc basis, may be undertaken, as and when necessary in selected areas.

## STUDY GROUP ON DISTRIBUTION OF LAND BETWEEN FOODGRAINS AND COTTON UNDER THE FOURTH PLAN, 1967—REPORT

Delhi, Manager of Publications, 1967. 27p.

Chairman : Dr. S.R. Sen.  
Member : Dr. S.M. Sikka.  
Member-  
Secretary : Shri Ram Saran.

### APPOINTMENTS

In the context of the need for achieving the targets of agricultural production set under the Fourth Five Year Plan and, in particular, of self-sufficiency in foodgrains to be reached by 1970-71, the Government of India recently felt that it was necessary to examine the Fourth Plan formulations for allocating land, both irrigated and unirrigated, between food crops. In this context a suggestion was made, inter alia, that diversion

of some areas under Cotton to foodgrains might be a necessary approach for achieving self-sufficiency in foodgrains. As against this, it was pointed out that cotton as a rotation crop was essential for building up the nutritional level of land and utilising scarce-rainfall areas in the country effectively for agricultural production. In order to make a techno-economic study of the problem involved the Government of India, Department of Agriculture Constituted the Study Group on Distribution of Land between Foodgrains and Cotton under the Fourth Plan on March 18, 1967.

### TERMS OF REFERENCE

1. To examine the trend of use for foodgrains and



Cotton in recent years.

2. To examine the formulation of the Fourth Plan in regard to the distribution of land, both irrigated and un-irrigated, between foodgrains and Cotton and the likely levels of areas expected to be reached under these crops by 1970-71

3. To examine the feasibility of reducing the acreage of cotton in favour of foodgrains, keeping in view the agronomic practices, crop rotations and the economic implications thereof. In particular, the need for achieving the foodgrains target postulated in the Fourth Plan should be kept in view.

## CONTENTS

Introduction; Trends in Area and Production of Foodgrains and Cotton; Formulation of the Fourth Plan and Distribution of Land Between Foodgrains and Cotton; Agronomic and Economic Aspects of the Cultivation of Cotton and Competing Crops; General Consideration in Diverting Area from Cotton to Foodgrains; Summary.

## RECOMMENDATIONS

Data on land utilisation for recent years indicate that while the area under foodgrains in the country has shown some increase, that under Cotton has remained more or less stationery around 8 million hectares. Among foodgrains, area under rice and maize has recorded an upward trend but that under wheat, jowar and bajra has remained more or less steady. Groundnut which is also grown in most of the Cotton growing tracts has registered an increase in acreage in recent years.

The above position also holds good for most of the Cotton producing States. However, there has been no uniform trend for all the States. Thus, there has been an increase in area under Cotton, wheat, jowar and bajra in some of the States even though for the country as a whole, there has been no increase in the total area under these Crops. The increase in area under cotton or foodgrains in several States has been the direct result of extension of irrigation facilities and increase in intensity of cropping on existing irrigated lands.

Production of almost all the important foodgrains, cotton and groundnut has gone up over the last decade. The rise in production reflects increase in area in the case of groundnut, in productivity in the case of cotton, wheat, jowar and bajra in both area and productivity in the case of rice and maize.

In the Fourth Plan period (1966-67 to 1970-71) production of both foodgrains and cotton is planned to be increased mainly through intensive methods of cultivation rather than through inter-crop shifts in area. Compared to 1964-65, total area, in 1970-71 under

foodgrains is expected to go up by about 4 million hectares while that under cotton is not likely to show any increase. The irrigated area under both foodgrains and cotton is, however, expected to show some increase, due partly to provision of additional irrigation facilities, and partly to extension of multiple cropping. Considering the likely increase in total irrigated area and the national practices and multiple cropping system adopted by cultivators, the acreage under foodgrains and cotton envisaged for the Fourth Plan appears to be realistic.

A study of the agronomic practices and the alternative crop rotation and their economic implications reveals little scope for reducing the area under cotton in favour of foodgrains. In those areas where there is rotation between cotton and jowar, any attempt at reducing acreage under cotton would lead to monoculture of jowar which is not a sound agronomic practice. It appears that in a number of regions, cultivation of cotton has a comparative economic advantage over millets; in such regions it will be difficult to persuade the grower to transfer land from cotton to foodgrains. While it is to be expected that in certain unirrigated areas with assured rainfall, replacement of local varieties of millets by hybrids would yield greater gross income per hectare, even this will not make any material difference in the cropping pattern, as retention of cotton in the crop rotation is considered a sound agronomic practice. In some other regions, groundnut outbids not only millets but also cotton. The fact that in spite of this there has been no decrease in area under millets or cotton during recent years shows that agronomic considerations weigh heavily with the cultivator in deciding on the choice of the cropping pattern. In irrigated areas, double cropping of cotton with foodgrains is expected to result in the increased production of both and not of one at the cost of the other. The introduction of double cropping would also lead to better and efficient utilisation of water.

In the context of the agronomic conditions which govern the cultivation of foodgrains and cotton, two possible measures that can be considered for securing a shaft in area in favour of foodgrains are: (i) crop regulation and (ii) provision of economic incentive. In India, an experiment at crop regulation was made in 1944 when the then Government of Bombay passed the growth of Food Crops Act requiring the cultivator put a minimum prescribed proportion of the cultivated area of his holding under foodgrains and a maximum prescribed proportion of the area under cotton or tobacco. The implementation of this Act necessitated the adoption of irksome regulatory measures, which in turn led to various forms of malpractices. The scheme of crop regulation had, therefore, to be abandoned after two or three years of unsuccessful experiment. It would, there-

fore, be extremely difficult to secure a compulsory reduction in area under cotton particularly in the present democratic set up of the country.

Economic incentive would mainly provide for a shift in the relative price structure either through a considerable increase in the prices of foodgrains or a substantial reduction in the prices of cotton and groundnut. Neither of these would seem feasible in the present situation. The prices at which the Government buy foodgrains from the producers have been raised considerably and they are now substantially higher than the world parity level so far as wheat is concerned. Any further increase in the prices of foodgrains would have a bearing on cost of living in general. The rise in the cost of production in recent years and the need for maintaining a reasonable relationship between the prices of Indian cottons and those of foreign cottons (which have become costlier by about 20 per cent since devaluation relatively to comparable varieties of Indian cottons) precludes the possibility of reduction in the prices of cotton within the country.

Economic incentive could also take the form of giving a subsidy to cultivators on the transfer of land from cotton to foodgrains. The implementation of such a measure will present insurmountable administrative problems in view of the very large number of small

holdings involved.

The country would be a net loser in foreign exchange if area under cotton in different States is diverted to foodgrains. Another effect of such diversion would be that the capacity of the existing ginning and pressing factories would remain idle to the extent there is a shortfall in the supply of unginned cotton. This, in turn, would result in reduced employment and a fall in the production of cotton seed oil and cotton seed cake. Moreover, increased imports of cotton will be a retrograde step in the context of sustained efforts that have been made since Independence for augmenting the production of superior cotton required by over 600 cotton textile mills in the country.

The conclusion finally emerges is that the diversion of area from cotton to foodgrains is neither essential nor feasible for the fulfilment of the target of production of foodgrains set under the Fourth Five Year Plan. In fact, production of both foodgrains and cotton can and should be stepped up through adoption of intensive cultivation measures. What is necessary is that fertilisers, improved seeds, particularly of high-yielding varieties, and other inputs should be made available to the cultivators in adequate quantities and at the appropriate time.

## COMMITTEE OF MEMBERS OF PARLIAMENT ON EDUCATION, 1967—REPORT ON NATIONAL POLICY ON EDUCATION

New Delhi, Ministry of Education, 1967. vi+56p.

**Members :** Shri R.K. Amin; Shri Bhagwat Jha Azad; Shri K. Anbazhagan; Shri Anup Singh; Shri A.E.T. Barrow; Shri R.D. Bhandare; Shri A.K. Chanda; Shri T. Chengalvaroyan; Shri V.M. Chordia; Shri Dinkar Desai; Shri Digvijai Nath; Shri R.R. Diwakar; Shri S.N. Dwivedy; Shri S.M. Joshi; Smt. Kamla Kumari; Shri C.M. Kedaria; Shri M.R. Krishna; Shri Hiren Mukherjee; Shri Bal Raj Madhok; Shri Tarkeshwar Pande; Shri Dahyabhai V. Patel; Shri Sadiq Ali; Shri Anant Tripathi Sharma; Shri D.C. Sharma; Shri Madho Ram Sharma; Shri Sher Singh;

Smt. Savitri Shyam; Shri Ganga Sharan Sinha; Shri Trignna Sen; Shri S.K. Vaishampayan.

### APPOINTMENT

The Committee of Members of Parliament on Education was constituted under the Government of India, Ministry of Education on April 5, 1967.

### TERMS OF REFERENCE

(i) To consider the Report of the Education Commission;

(ii) To prepare the draft of the Statement on the National Policy on Education for the consideration of

the Government of India; and

- (iii) To identify a programme for immediate action.

## CONTENTS

Foreword; the National System of Education; Transforming of the Educational System (Strengthening National Unity; The Neighbourhood School; Adoption of Indian Languages as Media of Instruction at All Stages. The Teaching of Languages; Hindi, the Link Language; Sanskrit; Science Education and Research; Education for Agriculture and Industry; Work Experience; Character Formation); Equalization of Educational Opportunities (Pre-Primary Education; Primary Education; The Ten-Year School; Higher Secondary Education; Higher Education; Part-time and Own-time Education; Spread of Literacy and Adult Education; Education of Girls; Education of the Weaker Sections of the Community; Education of the Handicapped Children); Programmes of Qualitative Improvement (Teachers : Status and Education; New Methods of Teaching; Curricula and Textbooks; Examination Reform; A Nation-wide Programme of Institutional Improvement; Student Services, Welfare and Discipline; Scholarships ; Discovery and Development of Talent); Organisation and Administration (The Universities; The Voluntary Effort in Education; The Educational Institutions Conducted by Minorities; The Local Authorities; The Government of India; The State Governments); A Programme for Immediate Action (Priorities; Total Educational Expenditure; Essential Conditions for Success) ; Minutes of Dissent; Appendix I & II; Glossary of Terms.

## RECOMMENDATIONS

### National Policy On Education

Education is a powerful instrument of national development—social, economic and cultural. The highest priority should therefore be accorded to the development of a national system of education which will—

- accelerate the transformation of the existing social system into a new one based on the principles of justice; equality, liberty and dignity of the individual, enshrined in the Constitution of India;
- provide adequate and equal opportunity to every child and help him to develop his personality to its fullest;
- make the rising generation conscious of the fundamental unity of the country in the midst of her rich diversity, proud of her cultural heritage and confident of her great future ; and
- emphasize science and technology and the cultivation of moral, social and spiritual values.

## Transformation Of The Educational System

From this point of view, the most important and urgent reform needed is to transform the existing system of education in order to strengthen national unity, promote social integration, accelerate economic growth and generate moral, social and spiritual values.

### Strengthening National Unity

Education should deepen national consciousness, promote a proper understanding and appreciation of our cultural heritage and inspire a faith and confidence in the great future which we can forge for ourselves. These objectives should be achieved by a carefully planned study of Indian languages, literature, philosophy and history and by introducing students to India's achievements in the positive sciences, architecture, sculpture, painting, music, dance and drama.

All students should be given appropriate courses in citizenship which emphasize the fundamental unity of India in the midst of her rich diversity. These should include a study of the Freedom Struggle, the constitution, the noble principles enshrined in its preamble and the problems and programmes of national development.

National and social service, including participation in meaningful and challenging programmes of community service or national reconstruction, should be made an integral part of education at all stages ; and suitable projects for this purpose should be designed and carried out in the context of local conditions and available resources.

Efforts should be made to promote greater knowledge, understanding and appreciation of the different regions of India by including their study in the curricula ; by the exchange of students and teachers and by giving them opportunities and facilities for educational and study tours ; and by the maintenance of all-India institutions which bring together students from different regions.

Curricular and co-curricular programmes should include the study of humanism based on mutual appreciation of international cultural values and the growing solidarity of mankind.

### The Neighbourhood School

To strengthen social unity and to provide equality of opportunity to the less advanced sections of the society, the unhealthy social segregation that now takes place between the schools for the rich and those for the poor should be ended ; and the primary schools should be made the common schools of the nation by making it obligatory on all children, irrespective of caste, creed, community, religion, economic condition or social

should be made compulsory unless such study is an essential part of a prescribed course.

### Hindi, The Link Language

In practice, Hindi is already largely in use as a link language for the country. The educational system should contribute to the acceleration of this process in order to facilitate the movement of students and teachers and to strengthen unity. The special emphasis on the study of Hindi is also justified on account of the fact that it will become the sole official language in the future when the non-Hindi areas accept it as such. It is also recognized as one of the official languages of UNESCO, signifying its importance as one of the major languages of wide dissemination in the world.

Sanskrit : India has a special responsibility for the promotion of Sanskrit. Facilities for its teaching at the school stage should be provided on a liberal scale and its study encouraged. Where possible, composite courses of Sanskrit and the regional languages should be provided. A more important programme is to ensure its wide study at the collegiate stage. For this purpose, new methods of teaching should be evolved to enable college students to acquire an adequate and quick command of language, even though they may not have studied it at school. Universities should also examine the desirability of including a study of Sanskrit in those courses at the first and second degree where such knowledge is essential (e.g., courses in certain modern Indian languages, ancient Indian history, Ideology, Indian philosophy). The traditional system of Sanskrit learning should be encouraged.

### Science, Education And Research

With a view to accelerating economic growth, science education and research should be developed on a priority basis. Science and mathematics should be an integral part of general education till the end of Class X, the quality of science teaching should be improved at all stages and scientific research should be promoted, particularly in the universities, and related closely to the development of agriculture and industry. In order that the Government of India should have competent, impartial and objective advice on science research policy, the Scientific Advisory Committee to the Cabinet should include, not only the heads of major agencies concerned with scientific research, but also economists, social scientists, industrialists and distinguished persons from public life, including social workers. The Committee should carry out, from time to time, objective studies of the investments made in scientific research and the results obtained.

### Education For Agriculture And Industry

Great emphasis should be placed on the development of education for agriculture and industry. The basic purpose of education for agriculture is to increase agricultural production by improving the competence of farmers and, to that end, to promote agricultural research and to train personnel needed for research, training and extension. In each State there should be at least one agricultural university which will develop integrated programmes of research, extension and training, and where necessary, strong agricultural faculties should be established in other universities. Agricultural polytechnics providing different courses needed for agricultural or agro-industrial development should be established. There is urgent need, in rural areas, for suitable centres or institutions providing extension services to farmers and giving part-time intensive courses to young persons who have left school and taken to agriculture.

In technical education, programmes of qualitative improvement should be stressed. Practical training in industry should form an integral part of the various courses. The existing institutions for the education of engineers should be consolidated and strengthened with special emphasis on the provision of project work to be done by the students who should also be initiated into the methodology of research by diversifying the courses and offering suitable electives. Technicians should be given a better status in industry and in society; and institutions situated in industrial complexes should be involved intimately in their training and should specially strive to organize sandwich and part-time courses. Both technical education and research should be related closely to industry, encouraging the flow of personnel both ways and continuous cooperation in the provision, design and periodical review of training programmes and facilities. Government should give all encouragement and assistance to industry for starting research and training programmes within the industry.

### Work-Experience

Yet another means of relating education to productivity is to include work experience which may be defined as participation in productive work in school, in the home, in a workshop, in a factory, on a farm, or in any other productive situation, as an integral part of general education at the school stage. This work with hands will help the young to develop insight into productive processes and use of science and inculcate in them respect for manual labour and habits of hard and responsible work.

## Character Formation

The formation of character should receive due emphasis in the total process of education. It is true that education alone cannot promote the appropriate moral, social and spiritual values which are generated by several institutions and organs of society. It must however contribute significantly to the moulding of the outlook and values of the youth and the strengthening of its moral fibre. The quality of reading materials, the stress on the proper study of the humanities and the social sciences, including the study of the great universal religions, the rendering of social service to the community, and participation in games and sports and hobbies, will contribute to the formation of right attitudes and values. Above all, the example set by teachers and elders will be decisive. Due attention should therefore be paid to these factors and activities in educational planning at all levels.

## Equalization Of Educational Opportunities

In spite of the rapid educational expansion achieved during the last twenty years, the existing facilities fall far short of national needs and expectations. Expansion will therefore have to continue and even accelerated at the school stage with a view to equalizing educational opportunity.

### Pre-Primary Education

Greater attention needs to be paid to the development of pre-primary education. Voluntary organizations conducting pre-primary institutions should receive encouragement and financial assistance, especially when they are working in rural areas, urban slums, or for children of the weaker sections of the community. Every encouragement should be given to experimentation, particularly in devising less costly methods of expansion.

### Primary Education

The provision of good and effective primary education, on a free and compulsory basis, is the foundation of democracy and national development. It should be given the highest priority and implemented in two stages. In the first stage, universal education should be provided for all children till they reach the age of eleven years; and in the second, this age-limit should be raised to fourteen years.

Primary education should be made immediately free in all parts of the country and facilities for it should be universalized within five years, i.e., a primary school should be available within a walking distance from the home of every child. Intensive efforts should be made to enrol girls and children from the weaker sections of

the community through parental education and incentives. Strenuous efforts should be made to reduce wastage and stagnation and to ensure that every child enrolled in schools passes regularly from class to class and remains in school till he completes the primary course. Success in this will depend upon the extent to which facilities are provided for pre-primary education, the qualitative improvement of primary schools, the adoption of the ungraded system in classes I and II (and if possible, even in classes I-IV) and the provision of facilities for part-time education for all children who cannot attend schools on a full-time basis.

The unfinished task in primary education varies immensely from area to area and is heavier in those which are poorer and more backward. At the state level, special assistance should therefore be made available to under developed areas for the expansion and improvement of primary education and the Government of India should make special assistance available to the less advanced States.

### The Ten-Year School

It will be advantages to have a broadly uniform educational structure in all parts of the country. The first step is to create the Ten-Year School providing a common pattern of general education for all children. The standard to be reached at the secondary school-leaving certificate examination. The division of this stage into sub-stages—lower primary, higher primary and lower secondary—should not be rigid and should allow for variations necessitated by local conditions.

There should be a common course of general education for all students at this stage. This will include language(s), science and mathematics, social studies (which at later stages will be studies as separate disciplines of geography, history and civics), work-experience, social or national service, physical and health education and education in moral and social values. There need also be no essential differentiation between the curricula for boys and girls.

The national policy should be ultimately to make this period of ten years (which includes the primary and the lower secondary stages) free and compulsory for all children. This will be achieved in stages, beginning with making lower secondary education, tuition-free and providing facilities for it in all areas. A large proportion of students who complete the primary course will proceed further to lower secondary education. But for those who leave school at the end of the primary stage and desire to learn some vocational skills, suitable courses of varying durations—from one to three years—should be provided, both on full-time and part-time basis.

## Higher Secondary Education

The next stage in the educational structure is the higher secondary (or the pre-university). The duration of the academic course at this stage should be uniformly raised to two years in all parts of the country under a phased plan. The curriculum should include two languages, three subjected from a prescribed list, work experience and social service, physical and health education, and education in moral and social values. It is desirable to treat this stage as a part of school education and to entrust its academic control to a single authority in each State on which the universities should have adequate representation. As a transitional measure, the attachment of these classes to colleges may be continued wherever necessary.

The duration of the vocational courses at this stage should vary according to their objectives (1-3 years). They should cover a large number of fields such as agriculture, industry, trade and commerce, medicine and public health, home management, arts and crafts, education, secretarial training, etc. Their organization should be elastic, allowing for full-time, part-time and correspondence courses and a large variety of institutional arrangements. The enrolment in vocational courses should be substantially increased to cover ultimately about half the total enrolment at the higher secondary stage.

Education at this stage should be largely terminal so that a majority of students who complete class XII enter different walks of life. From this point of view, the recruitment to the lower administrative services and posts should ultimately be made from amongst those who have completed the higher secondary stage and recruitment of graduates to those posts should be discouraged by prescribing a lower age for appointment. It is desirable to select the personnel even for the superior posts under Government or in the public sector at the end of the higher secondary stage itself and then train them further at state expense.

## Higher Education

The duration of the courses for the first degree in arts, commerce and science should be three years after the higher secondary stage. Where this is only two years at present, a phased programme should be prepared for the introduction of the longer course.

Immediate and effective steps should be taken to reorganize courses and to revise and upgrade curricula at the university stage. The link between the subjects taken at the school stage and those at the first degree should be less rigid and combinations of subjects permissible for the first and the second degrees should be more elastic than is generally the case at present.

Special efforts are also needed to promote interdisciplinary studies.

The universities should define the conditions for eligibility for admission to different courses at the undergraduate stage, ineligible students being allowed to re-appear at the relevant examination to earn eligibility. Similarly, the number of full-time students to be admitted to each college or department of a university should be determined with reference to teachers and facilities available. Adequate resources should however, be provided to ensure that all eligible students who desire to study further get admission to higher education; and in order to secure social justice, some allowance should be made for the environmental handicaps of students from rural areas, from urban slums and from the weaker sections of the community. Facilities for study through morning or evening colleges and correspondence courses should be provided on a liberal scale. At the post-graduate stage, the selection for admission should be rigorous.

## Part-Time And Own-Time Education

Part-time and own-time education should be developed on a large scale at every stage and in all sectors and given the same status as full-time education. These facilities will smoothen the transition from school to work, reduce the cost of education to the State, and provide opportunities to the large number of persons who desire to educate themselves further but cannot afford to do so on a full-time basis. In particular, greater emphasis has to be laid on the development of correspondence courses, not only for university students, but also for secondary school students, for teachers, for agricultural, industrial and other workers; and facilities should be available both to men and women, to study privately and appear at the various examinations conducted by the boards of education and the universities.

## Spread Of Literacy And Adult Education

The liquidation of mass illiteracy is essential, not only for accelerating programmes of production, especially in agriculture, but for quickening the tempo of national development in general. Plans to accelerate the spread of literacy should therefore be prepared and intensively implemented on several fronts. With a view to reducing new additions to the ranks of adult illiterates, part-time literacy classes should be organized for grown-up children (age-group 11-17) who did not attend school or have lapsed into illiteracy. All employees in large commercial, industrial and other concerns should be made functionally literate within a prescribed period of their employment and a lead in this direction should be given by the industrial plants in

public sector. Similarly, teachers, students and educational institutions should be actively involved in literacy campaigns, especially as a part of the social or national service programme. The achievement of literacy should be sustained by the provision of attractive reading materials and library services to the new literates.

Adult or continuing education should be developed through facilities for part-time or own-time education and through the expansion and improvement of library services, educational broadcasting and television. The development of extension services in universities is of great significance in this context. In particular, the universities should organize special extension programmes to train rural leadership.

### Education Of Girls

In the post-independence period, the enrolment of girls, as well as the number of women teachers, has increased rapidly at all stages of education and in most areas of study, girls have shown remarkable achievements and proved that they are at least equal to, if not better than, the boys. But in spite of all that has been done, there is still a wide gap in the enrolment of boys and girls at all stages. It is necessary to eliminate this gap at the primary stage, and to narrow it at the other stages. The education of girls should therefore receive special emphasis and the funds required for its advancement should be provided on a priority basis. Suitable measures for speedy implementation should be devised, particularly taking into account the needs of the rural areas. The appointment of women teachers should be encouraged at all stages and especially at the primary stage.

### Education Of The Weaker Sections Of The Community

In spite of the increasing attention given, since independence, to the education of the weaker sections of the community, the gap between their level of educational development and the average for the society as a whole still continues to be very wide. It is therefore, necessary to expand and extend the existing special educational facilities and concessions to the scheduled castes and scheduled tribes including "Nav-Bonddhas" converted from the scheduled castes whose social and economic conditions and position continue to remain unchanged. Special efforts in affording financial relief and some preference for admission to good institutions at all levels will be necessary. Care must also be taken to ensure that the educated persons from these classes are suitably employed. Until these weaker sections catch up with the rest of the community, a system of reservation in employment opportunities would be justified.

The education of the tribal people also needs more intensive efforts. Here the problems of language and sparsity of population become great handicaps for the spread of education. Special measures, analogous to those specified in the foregoing paragraphs are necessary, emphasis being placed on Ashram schools, the development of carefully trained cadres of workers for tribal areas, ultimately derived from the tribals themselves, and simultaneous development of programmes for their economic improvement.

At present, the definition of 'backwardness' is based on birth. It is necessary to change this and to define backwardness in socio-economic terms and to extend educational concessions and assistance, similar to those now offered to the scheduled castes and scheduled tribes, to all socially and economically handicapped persons.

### Education Of The Handicapped Children

The facilities for the education of the physically and mentally handicapped children should be expended; and at least one good institution for the education of the blind and deaf children should be established in each district. Every attempt should be made to develop integrated programmes enabling the handicapped children to study in regular schools. It is necessary to coordinate the activities of different agencies working in the field.

### Programmes Of Qualitative Improvement

Educational expansion which is so essentially for national development and equalization of educational opportunity should not imply any lowering of standards. On the other hand, it should be accompanied by simultaneous efforts to raise substantially the standards of education and to keep them continually rising. At least in the crucial sectors, our standards should be internationally comparable.

### Teachers Status And Education

Standards in education are primarily determined by the quality, competence and characters of teachers. It is therefore, necessary to make a sustained effort to attract to the teaching profession a significant proportion of talented young men and women who leave the schools and universities every year and to retain them as dedicated, enthusiastic and contented teachers. An important step in this direction will be to improve the remuneration and conditions of work and service of teachers and to provide them with adequate opportunities of professional advancement. From this point of view, the following are some of the important programmes to be developed :

(1) There should be minimum national scales of

pay for university, college and school teachers. An upward revision of scales applicable to the teaching profession in the context of general pay structure in the country is justified and should be carried out as soon as possible, and the whole position should be reviewed periodically. In particular, the existing wide gap between the salary scales for school and university (or college) teachers should be reduced; the principle of parity for salary and allowances should be adopted at the school stage for all teachers in the service of government, local authorities or voluntary organizations.

(2) A uniform system of retirement benefits should be introduced for all public servants and teachers, the triple-benefit scheme (i.e., a scheme to cover pension, provident fund and insurance) being adopted as a transitional measure. Appropriate welfare services should also be provided on a basis of joint contribution and management by teachers and government.

(3) The conditions of work and service of teachers should be improved and should be uniform for teachers under different managements. Steps should be taken to ensure security of tenure to teachers in non-government service. Adequate residential facilities should be provided to teachers at all stages.

(4) Teachers' organizations should be encouraged and recognized. In each State, there should be an advisory council consisting of the representatives of the organizations of teachers, voluntary agencies conducting educational institutions and officers of the Education Department. Its scope should include all matters relating to conditions of work and service and welfare services of school teachers and improvement of education.

(5) With the upgrading of remuneration, there should be a corresponding improvement in qualifications, quality and work of teachers. Adequate qualifications, both in general and professional education, should be prescribed for teachers at different levels. The procedure for recruitment should also be improved and should be similar in all institutions, irrespective of their managements.

(6) The training of school teachers should be brought within the broad stream of university life and the isolation of training institutions from the schools should be ended. Schools of education should be established in universities. Each State should prepare and implement, on a priority basis, a plan for the expansion and improvement of teacher education at all stages.

(7) The academic freedom of teachers to pursue and publish their studies and researches and to speak and write about significant national and international issues should be protected. Teachers should be also

free to exercise all civic rights including the right to participate in elections; and when doing so, they should be entitled to and take leave of absence from their substantive posts.

The improvement in the status of teachers should be accompanied by a corresponding deepening of their awareness of the crucial role which they have to play in moulding the life and character of the rising generation and ultimately of the nation itself. Teachers should pursue learning and excellence with dedication and devotion, bear unstinting loyalty to their institutions and strive for the welfare and all-round development of the students entrusted to their care. Teachers' organizations should evolve codes of conduct for teachers which should be zealously guarded by the profession itself.

### New Methods Of Teaching

The improvement in the quality of teachers and their professional preparation should help to revolutionize the process of education by the adoption of modern methods of teaching whose chief aim is to build up proper interests, attitudes and values and whose accent is on the dignity and freedom of the individual, awakening of curiosity and promoting love of learning, habits of self-study, capacity to think and judge for one-self and problem-solving ability. This development which is the essence of progressive and modern education should be facilitated through other programmes of qualitative improvement such as revision and upgrading of curricula, adequate supply of high-quality teaching and learning materials, examination reform, organization of a nation-wide programme of institutional development, provision of adequate student services and the discovery and development of talent.

### Curricula And Textbooks

There is an urgent need to upgrade and improve school curricula, to increase their knowledge content and to provide adequately for the development of skills and the inculcation of right interests, attitudes and values. Similar steps are also needed at the university stage.

High priority should be given to the organization of a rich and varied programme of co-curricular activities for students at all stages. Games and sports should be developed on a large scale, and on a priority basis, with the object of improving the physical fitness and sportsmanship of the average student rather than only for training champions. There should be a great emphasis on the provision of playing fields and on the fullest use of stadia by educational institution. Coaches should be provided in schools and colleges. Special



efforts should be made to develop hockey in which we excel, football, volleyball, wrestling and Indian games like kabaddi or kho-kho which cost little but provide vigorous physical exercise. Hiking and mountaineering need special encouragement.

The quality of text-books should be kept at the highest level by attracting the best talent available through a liberal policy of remuneration and by giving special encouragement to outstanding teachers. The Government of India should take immediate steps for the production of high-quality text-books which may be adopted/adapted in the States. The State Governments should set up autonomous corporations, functioning on commercial lines, for the production of text-books. But they should not claim a monopoly therein and should enlist the cooperation of the private sector. In each class and for every subject for which a text-book is needed, there should be at least three or four approved books and a school should be free to choose the books best suited to it.

It is essential that an increasing number of common books should be read by all school students in the country. For this purpose, the Government of India should undertake, sponsor or promote the production of a series of books on different topics of national interest. These should be written by the most competent persons in the field, translated in all Indian languages, priced exactly the same in every language and made available in the library of every school.

The expenditure that parents have to incur on text-books should be kept within reasonable limits by avoiding frequent changes in text-books, by reducing the number of prescribed or recommended books and by keeping their prices to the minimum. A careful study should be made of the anticipated demands for paper and printing capacity during the next fifteen years and early steps should be taken to ensure that the production of paper and increase in printing capacity in the Indian languages keep pace with the expansion of education.

### Examination Reform

Attention should be concentrated on three major areas: Reduction of the dominance of external examinations; the introduction of reforms which would make them more valid, and realistic measures of educational achievement; and the adoption of a good system of internal evaluation.

At the school stage, there should be only two public examinations—the first at the end of class X and the second at the end of class XII (or class XI in the transitional period). Each State should have a Board of School Education (with sub-boards, where needed) to conduct these examinations and to define the

standards to be reached. The examination certificate should give the candidate's performance in different subjects for which he has appeared but should not declare him to have passed or failed in the examination as a whole; and his eligibility for admission to courses at the next stage should be dependant upon his performance with reference to the requirements prescribed for the course he desires to study. It should be open to a candidate to appear again for these examinations, either in part or as a whole, in order to improve his performance.

It is necessary to coordinate, at the national level, the standards prescribed for attainment by the State boards of education at these examinations. This should be done by a National Board of School Education, to be established by the Government of India, which should indicate the 'national standards' below which no State should ordinarily fall. The National Board should also make arrangements to evaluate the standards actually attained on a school, District, State and National basis.

The public examinations, both at the school and university stages, should be improved by employing the latest methods and techniques. The time-lag between the holding of the examination and the declaration of results should be reduced and in no case should be longer than about light weeks. The final examinations of schools and colleges should be completed and their results declared within a given time each year so that the students seeking admission to all-India and other important institutions do not lose a year as often happens at present.

A comprehensive system of internal assessment covering all aspects of student's growth should be introduced in all educational institutions and should be used for improvement as well as for certifying the achievement of the student. These results should be kept separate and shown side by side in the final certificate issued after external examinations. Every year, a careful review should be made of the correlation between internal and external assessment separately for each institution and action should be taken against those who tend to over-assess their students.

### A Nation-wide Programme Of Institutional Improvement

A nation-wide programme for raising standards in all educational institutions should be developed. Each institution should be treated as a unity itself and helped to grow at its pace by preparing and implementing its own developmental plan.

Minimum requirements should be prescribed for each category of institutions and an attempt should be made to provide these through the assistance of local committees and an adequate system of maintenance

grants. In addition, special encouragement grants should be available to institutions on the basis of their performance and promise.

These attempts at institutional improvement at the school stage can be strengthened by creating 'school-groups' for purposes of planning and development. Each school-group should consist of a secondary school with some higher primary school being, in its turn, the centre for some lower primary schools near it. The immediate responsibilities entrusted to a school-group should include the sharing of facilities in common and the preparation and implementation of plans of educational development, additional powers and responsibilities being given on the basis of competence and performance. Wherever possible, colleges should be linked to secondary schools for similar programmes and the universities should be encouraged and assisted to participate in the improvement of schools.

In the universities, a concentration of resources—both human and material is essential for raising standards. Each university should therefore, strive to develop some centres of excellence within itself which could ultimately be raised to the status of a centre of advanced study. In addition, the University Grants Commission should strive, where the necessary potential is available, to create clusters of centres of advanced study in related disciplines which strengthen and support one another.

Special steps should be taken to improve educational institutions in rural areas and to reduce the wide gap in standards that now exists between urban and rural institutions.

### **Student Services, Welfare And Discipline**

It is desirable to develop programmes of student services and welfare at all stages. At the primary stage, provision should be made for free supply of text-books to all students, and in secondary schools, text-book libraries should be established. Simple uniforms should be prescribed, subsidies being available to poor and needy students. School meals and health services should be provided to the extent funds permit. School buildings should be utilized, before and after school hours, as day-study centres for children who do not have such facilities at home.

At the university stage, text-book libraries should be established in all colleges and university departments and provision should be made for low-cost or subsidized cafeterias and essential health services. Day-study centres and hostels should be provided on a liberal scale. Hostel costs should be kept down to the minimum and students should be required to participate in the management and to practise self-help.

At both school and university stages, private tuitions

should be discouraged and institutional arrangements should be made to assist retarded or under-achieving students by entrusting the responsibility to teachers who should be suitably remunerated for the purpose or by devising plans in which the more advanced students would help the backward ones.

In order to create a sense of responsibility and to provide civic training, students should be associated with the management of their institutions in a manner suited to their age and maturity. At the school stage, pupil-self-government should be an integral part of the instruction in every institution. This assumes an even greater importance at the university stage where the students have to be treated as adults and increasingly associated with the maintenance of discipline. Joint committees of teachers and students should be established in each university department and in every college to serve as a forum for the discussion and, where possible, for the solution of common problems and difficulties. Student's associations should also be developed on proper lines.

It is a matter for serious concern that incidents of student unrest have shown a tendency to greater frequency and violence in recent years. The causes of this malaise are complex and deep-seated and an effective cure goes beyond the educational system. But the situation can be remedied considerably if the educational system is transformed, strengthened and made more effective on the broad lines indicated here. The programmes of developing national consciousness and of involving students in challenging and worth while projects of national reconstruction and the appointment of joint committees of teachers and students will also be of great help. It is however, essential to emphasize that violence has no place in any civilized society and especially in an academic community. If its members find it necessary to assert their democratic rights, it should be done in a peaceful, orderly and dignified manner.

### **Scholarships : Discovery And Development Of Talent**

Both in secondary and higher education, the scholarships programme should be expanded and the amount of scholarships increased, broadly to cover all costs. Other forms of student aid which need attention are : Provision of transport facilities where necessary and feasible, grants for books and examination fees and creation of facilities to earn and learn. There is also need for loan scholarships at the university stage. In order to encourage good students to join the teaching profession however, a person who has received a loan scholarship should be entitled to a remission of one-tenth of the loan for each year of service as a teacher.

The administrative procedures for the award of scholarships should be streamlined and payments should

be arranged promptly, preferably from month to month.

At present, most scholarships are awarded on the basis of marks obtained in some public examinations and as these tend to favour students from the well-to-do homes or good urban schools, potentially talented students whose preparation has remained inadequate through no fault of theirs are often left out. There is thus urgent need to evolve a more equitable and egalitarian basis for the award of scholarships and grant of admissions to important institutions of higher education.

Scientific techniques should be developed, especially at the secondary stage, to discover and develop talent of all kinds. The universities can play a useful role in this. In view of the importance of the subject and our own great traditions, special emphasis need to be placed on the nurturing of mathematical talent. In the case of exceptionally gifted children, the State should assume total responsibility for their full education. The rules and regulations regarding courses, duration of studies, admission qualifications, etc., will also have to be suitably relaxed.

#### Organization And Administration

Education is, by and large, a state subject. But in its organization, universities, voluntary agencies, local authorities and the Government of India play important roles. These roles have to be properly defined and harmonized.

#### The Universities

The universities should develop themselves into autonomous communities of teachers and students who are untiringly and devotedly engaged in the pursuit of learning and excellence.

The proper sphere of the university autonomy which should be exercised within the broad framework of national policy lies in three fields: the selection of students; the appointment and promotion of teachers; and the determination of courses of study, methods of teaching and the selection of areas and problems of research. Among the measures needed to safeguard this autonomy, the most important is to appoint the right persons as vice-chancellors who should be distinguished educationists or eminent scholars in any of the disciplines or professions with high standing in their fields and adequate administrative experience. An exception may only be made in the case of very outstanding persons whose association with the universities would be desirable. Adequate provision should also be made for the financial needs of universities and to devise a suitable system of grant-in-aid, preferably a rolling system of block-grants to be revised every three

to five years.

It is necessary to amend and modernize most University Acts in India. The Ministry of Education, Government of India, in collaboration with the University Grants Commission, should initiate discussions with the State Governments concerned and complete the whole programme in the next two or three years. A connection should also be developed whereby State Governments discuss their proposals for new or amending legislation in respect of universities with the Ministry of Education and the University Grants Commission before they are introduced in the legislatures.

The principle of autonomy should be extended within the university system itself. The administration of universities should be so organized that it becomes a service agency for the promotion of academic life. Wider administrative and financial powers should be delegated to the departments of the Universities; and each department should have a committee of management consisting of all professors and some readers and lectures.

#### The Voluntary Effort In Education

Voluntary organizations have played a very important role in the development of education in the past. In the days ahead also, they can make a useful contribution at the secondary and university stages and within the framework of the neighbourhood school system, even at the primary stage. It should therefore, be an objective of educational policy to encourage and to make full use of all assistance that can come through the voluntary efforts of the people.

The policy of the Government towards schools conducted by voluntary organizations should be selective rather than uniform. The system of grant-in-aid should be revised, simplified and made more liberal. All recognized schools should be eligible for grant-in-aid on some egalitarian basis which will help them to maintain proper standards. In addition, there should be provision for penal cuts for gross failure or special grants for good and outstanding work.

#### The Educational Institutions Conducted By Minorities

Educational institutions conducted by minorities have a special place in the national system of education. Specified safeguards are provided in the Constitution under Articles 29 (1) and (2) and 30 (1) and (2); in addition, Article 350 A has been included as a special directive.

The Central and State Governments have also indicated in certain resolutions and statements, the administrative procedures which should be adopted in respect of minorities. Thus, the Provincial Education Ministers'

Conference in August 1949 passed a resolution (accepted by the Central Advisory Board of Education and the Government of India) which laid down detailed provisions for imparting both primary and secondary education to linguistic minorities through the medium of their mother tongue.

After taking into consideration the recommendations in the report of the States Reorganization Commission in respect of linguistic minorities, the Government of India in consultation with the Chief Ministers of States prepared a memorandum which was placed before both Houses of Parliament in September 1956. The memorandum deals, among other things, with educational safeguards at the primary and secondary stages and the affiliation of institutions using minority languages, for purposes of examination.

The administration at the Centre and in the States should not only respect the rights of minorities but help to promote their educational interests.

### The Local Authorities

It is desirable to bring the school and the community together in a programme of mutual service and support. The immediate plan to be adopted in all parts of the country is to associate the village panchayats and municipalities\* with the primary schools in their areas through the creation of local school committees. These committees should consist of the representatives of the local authorities in the area and about an equal number of persons interested in education. Their functions should be to help in improving the facilities in the schools under their charge and particularly to be responsible for the non-teacher costs. Each school committee should have a fund of its own consisting of (a) amounts placed at its disposal by the municipality or the village-panchayat in the area; (b) donations and contributions voluntarily made by the parents and local Community from time to time; and (c) grant-in-aid given by the State or other appropriate authority to stimulate local collection on some basis of equalization.

The ultimate objective should be to create specially constituted education boards for each district and for the bigger municipalities and to entrust them with the administration of all education at the school stage. Inspection and coordination should however be invariably reserved with the Government.

Local authorities associated with the administration of education should levy an education cess. A minimum cess should be obligatory and in order to stimu-

late the raising of funds, grants-in-aid should be given to match all levies above the minimum rates. The other grants-in-aid to local authorities should be so designed as to secure equalization. In urban areas, the municipalities may be suitably grouped and grants so arranged that the poorer local authorities get larger assistance. In rural areas, the grants-in-aid should include all teacher costs and an additional amount, on the basis of equalization, for other expenditure.

### The Government Of India

The Government of India has large responsibilities in education, some directly specified in the Constitution and others implied. The Constitution makes the Union Government directly responsible for the Central Universities, for all institutions of national importance, for the enrichment, promotion and propagation of Hindi, for the coordination and maintenance of standards in higher education, for scientific and technological research and for education in international relationships which includes welfare of Indian students abroad and cultural and educational agreements with other countries. The vocational and technical training of labour is a concurrent responsibility; and so is social and economic plan which includes educational planning. The Centre also has special responsibilities for the education of the Scheduled Castes and Tribes.

Its indirect or implied responsibilities however are greater still. The first is to serve as a clearing-house for educational information. The annual survey of the development of education in the country which the Government of India now brings out should be supplemented by studies of important educational problems, either on a regional or a national basis. These studies should follow a well-planned scheduled and be repeated periodically. In addition, it is also a responsibility of the Centre to promote the exchange of educational experience among the States and coordinate the work of different agencies for educational development functioning at the state level.

Another responsibility of the Government of India is to provide stimulating national leadership in educational development. For this purpose, it should promote educational research, especially in the universities. Financial assistance from the Centre should also be available, both to State Governments and voluntary organizations, for pilot projects or other experimental work of national significance. Professional organizations in the different fields, and especially national organizations of teachers striving for improvement of education in different areas, should receive encouragement and Central assistance. The Government of India should formulate the National Policy on Education and

\*Where neither of these local authorities exist, parent-teacher associations may be formed to discharge the responsibilities proposed here for the school committees.

revise it from time to time. This will provide the broad guidelines for educational development in the States and form the basis of Central grants for education.

Yet another responsibility of the Government of India is to provide financial assistance for educational development. It is necessary to increase the Central investment in education very considerably and to channel it into three programmes. The first is to expand the Central sector to a very great extent for the expansion of national scholarships, development of agricultural, engineering and medical education, promotion of educational research and Sanskrit studies, establishment of institutions specializing in social sciences and humanities and increasing the allocations to the University Grants Commission for centres of advanced study, schools of education, post-graduate education and research, maintenance grants to state universities, qualitative improvement of higher education and provision of student services and amenities.

The second programme of central aid is to supplement the Central sector by providing ear-marked Central grants to State Government for the development to selected schemes of high priority. It may be desirable to divide the total funds available with the Government of India for giving ear-marked grants to State Governments for schemes of national significance (e.g., the adoption of Indian languages as media of education at all stages) and the second part should be distributed to State Governments on some egalitarian basis and ear-marked for such priority schemes as would be selected by the State Governments themselves.

The funds thus allocated to ear-marked grants should be voted separately by Parliament. These should be adequate machinery to see that there are utilized for the purpose for which they are granted and a report on their utilization and the results achieved should be laid annually before Parliament.

The third programme of Central aid is that the Centre and the States should annually share, in some agreed proportion, the total expenditure incurred on the salaries and allowances of teachers. This will enable the centre to give effect to a national policy regulating the remuneration of teachers which is so crucial to the quality of education.

#### The State Governments

Education being a State subject, State Governments will have to develop several important programmes to discharge their responsibility in this field effectively.

They should prepare long-term and short-term plans of educational development in their areas within the broad framework of the national policy on education.

They should provide a statutory basis for education by enacting comprehensive Education Acts which will

replace all the miscellaneous laws and exercise orders (e.g., grant-in-aid code) which now exist.

Departments of Education in the States should be strengthened considerably. The administrative structure and procedures should be reformed to emphasize variety and elasticity rather than rigidity and uniformity. The quality of personnel should be improved through an increase in the number of posts at the higher levels, reform in recruitment procedures and provision of pre-service and in-service training. The basic scales of pay in the administrative and teaching wings should be made the same in order to make a free flow of personnel between the teaching and administrative wings possible.

A centralized educational administration may not be effective in many States. Besides, there are immense variations of educational development between the districts. It is therefore, desirable to adopt the district as the principal unit for educational planning, administration and development. The district education officer should be given adequate status and delegation of authority, the main responsibility of the State-level Directorate being general coordination and policy.

The bulk of the finances needed for educational development will also have to be raised by the State Governments. At present, the State Governments raise 60 per cent of the total educational expenditure which comes to about 22 per cent of their total resources, the individual variations ranging from 16 to 39 per cent. In future, the total educational expenditure of the State Governments will be much larger and may come to about one-third to one-half of their total resources.

#### A Programme For Immediate Action

**Priorities :** In developing societies, the gap between educational needs and resources available for educational development is distressingly wide so that educational planning becomes essentially a decision on priorities. Within the broad framework of the long-term policy of educational development indicated here, it is therefore, necessary to identify a programme for immediate action, that is, for the next five to ten years. The following is suggested from this point of view :

1. The Indian languages should be adopted as media of education at all stages and in all subjects in five years.

2. The neighbourhood school system should be universalized at the primary stage. Primary education (class I-VII or VIII) should be made free immediately and free books should be provided to all pupils. An intensive programme should be launched for reduction of wastage and stagnation. Good and effective primary education of at least five years' duration should be provided for every child in all parts of the country as

early as possible and at any rate within a period of ten years.

3. The ten-year school, with a common curriculum of general education, should be adopted in all parts of the country. The new educational structure should be adopted as early as possible in all areas where the total duration of school and college education leading to the first degree in arts, commerce and science is 15 years or more. Where addition of an year of schooling is involved, a phased programme should be drawn up for the implementation of the proposal.

4. Teachers' status should be improved and the remuneration of all teachers, particularly at the school stage should be up-graded. Programmes of teacher education should be improved and expanded.

5. Agricultural research and education at all levels should be developed on a priority basis. Both technical education and technological research should be taken closer to the industry; and a better status in society and industry should be given to the technician and his training improved.

6. Work-experience and national and social service should be introduced as an integral part of all education. A beginning may be made in about five per cent of the institutions immediately and the programme should be universalized in a period of about ten years.

7. Science education should be emphasized and scientific research should be promoted. In a phased programme spread over about ten years, science and mathematics should be made an integral part of general education till the end of Class X.

8. Emphasis should be laid on the development of essential student services, e.g., development of programmes of sports and games; building up of text-book libraries in secondary schools, colleges and universities, and appointment of joint committees of teachers and students in colleges and universities to deal with day-to-day problems.

9. Post-graduate education and research should be improved and expanded. The programmes of the centres of advanced study should be developed further and clusters of centres in related disciplines should be created wherever possible.

10. The provision of facilities for part-time and own-time education should be expanded generously at all stages.

11. The programmes for spreading education among girls and the weaker sections of the community should be expanded.

12. Intensive efforts should be made to spread literacy, particularly in the age-group 15-25.

13. The recruitment policies of government should be revised to reduce the pressures on higher education, and the higher secondary stage of education should be

vocationalized to divert young persons into different walks of life.

14. In admissions to higher education, some allowance should be made for the environmental handicaps of students coming from rural areas, urban slums and weaker sections of the community, and a more equitable and egalitarian basis should be evolved for the award of scholarships or grant of admissions to important institutions of higher education.

15. Programmes which need planning, organization and human effort rather than money, e.g., promoting national consciousness, character-formation, intensive utilization of existing facilities, reorganization of courses, improvement of curricula, adoption of dynamic methods of teaching, examination reform and improvement of text-books should be developed in a big way and on a priority basis.

16. Emphasis should be placed on the improvement of educational administration and especially on the adoption of the district as the principal unit for planning, administration and development of education, the system of school-groups, the modernization of the system of school supervision and the organization of a nation-wide programme of improvement of educational institutions through preparation and implementation of individual plans.

#### Total Expenditure On Education

It will be necessary to increase considerably the total expenditure on education if this massive urgent programme of educational development is to be implemented. For this purpose, the best financial effort should be made by all the agencies involved—the Government of India, the State Governments, the local authorities and the voluntary organizations and the support of the local communities should be stimulated and fully utilized.

#### Essential Conditions For Success

Even with the maximum mobilization of resources for education however, the available funds will still be inadequate and for some years to come, the development of education will have to be brought about under conditions of comparative scarcity. Several measures will have to be adopted to overcome this severe handicap. For instance, the utmost economy should be practised in everything. In particular, the expenditure on buildings should be reduced to the minimum by using locally available materials and by adoption of austere and utilitarian rather than ostentatious standards. The cost of equipment also should be reduced to the utmost by better designing, large-scale production, improvisation and careful handling to increase its life. Wherever possible, facilities should

be shared in common by a group of schools; and when equipment becomes costly and sophisticated, it should be intensively and cooperatively utilized for the largest part of the day and throughout the year.

Every effort should be made to utilize existing facilities most intensively so as to obtain full return on all the investment made in education. The number of working days should be increased and the working day should be longer. The vocations should be adjusted to meet the requirements of the institution and students or to enable a better organization of programmes of work-experience or national and social service. The libraries, laboratories and craft sheds should be open all the year round and for at least eight hours a day, if not longer. All educational buildings should be put to intensive use and utilized even in the vocations by designing suitable co-curricular programmes.

There is urgent need for the proper planning of educational institutions to avoid overlapping and duplication and to create larger institutions which tend to be less burdensome in cost per student. Well-considered criteria should be prescribed for schools of all categories and, on their basis, careful plans of perspective educational development, spread over the next 10-15 years, should be prepared separately for each district. This becomes even more important in higher education which is costlier and where the required resources in men, money and materials are even more scarce. It should therefore be an objective of policy to plan the location of colleges careful and to establish bigger affiliated colleges, exceptions being made only in the case of educationally under-developed areas or in the initial years of the life of a new institution. Similarly, careful coordination is needed in the

organization of courses, training facilities and research programmes in universities also. Considerable restraint is needed in establishing new universities. Adequate preparation should be made for the purpose, and the general policy should be to establish university centres in the first instance and to develop them into universities in due course. No new university should be started unless the consent of the University Grants Commission has been obtained and adequate provision of funds has been made.

It will also be necessary to adopt new and unorthodox techniques which give quick results or reduce costs. Emphasis should be laid on such measures as the large-scale development of part-time and own-time education, the use of mass-media and modern techniques, programmed instruction and the utilization of advanced students for teaching the more backward ones.

Perhaps the most important measure to overcome the handicaps of an 'economy of scarcity' is to create a climate of dedication and sustained hard work so that students, teachers and administrators invest 'themselves' in their tasks to make up for the shortcomings in material resources. There seems to be a pervading atmosphere of cynicism at present. But a developing country like ours cannot afford such luxuries. Idealism—for there is no better word—is needed in our country, none more than ever, in every sphere of life, and especially in education. The reconstruction of education thus presents a supreme challenge to all of us who are now called upon to create a system of education related to the life, needs and aspirations of the people and to maintain it at the highest level of efficiency. It is upon our response to this challenge that the future of the country depends.

## **NATIONAL COMMISSION ON LABOUR, STUDY GROUP ON SOCIOLOGICAL ASPECTS OF LABOUR MANAGEMENT RELATIONS, 1967—REPORT**

Delhi, Manager of Publications, 1968. 54p.

Convenor : Prof. M.N. Srinivas.  
Members : Dr. N.R. Sheth; Dr. A. Beteille;  
Dr. Gouranga Chattopadhyay; Mr. A.D.  
Moddie; Shri Satish Loomba; Shri  
C. Rajagopalan; Dr. P.C. Joshi.

Member-  
Secretary : Dr. A.B. Bose.

### **APPOINTMENT**

The National Commission on Labour appointed the

Study Group on Sociological Aspects of Labour-Management Relations Vide their Letter No. 6/2/7 NCL dated April 24, 1967.

## TERMS OF REFERENCE

(i) Employer-Workers relations in Agriculture. Patron-client relationship, Differences between rural and tribal areas.

(ii) Social composition of industrial labour and management. Commitment to the industrial way of life and to the new technology.

(iii) Social relationships at the plant level. Formal and informal relations. Communication formal and informal channels.

(iv) Social cost of industry, Effects of housing, sanitation, education, transport, etc., on industrial work and morale.

(v) Management worker relationship at various levels. Employer's and Worker's Organisations.

## CONTENTS

Acknowledgements; Introduction; Agricultural Labour in India; Commitment to the Industrial Way of Life; Labour-Management Relations at the Plant Level; Labour-Management Relations Beyond the Plant Level; Social Costs of Industry; Summary of Recommendations.

## RECOMMENDATIONS

(i) The economic and social plight of agricultural labour in India is well-known. This arises from the social, political and economic structure of rural India. Any programme for improving the conditions of labour in this sector must provide means for strengthening its bargaining power. The economy must generate conditions for increasing the demand for such people both within and outside agriculture. At the same time, conditions of political organisation must be created which will enable agricultural workers to put forward their demands in a united and effective manner.

(ii) On the whole, the loyalties of workers to their social groups such as caste and religion do not create serious problems in regard to acceptance of the norms and values inherent in modern technology. It is possible, however, that in some industries and certain regions some difficulties may exist. There is, therefore, need for a realistic understanding of the local situations in formulating policies regarding the development of suitable manpower.

(iii) The recruitment practices and training programmes adopted by some modern managements are useful for developing the necessary labour force. The Government may consider laying down policy directives in this regard with a view to encouraging more and more

managements to plan their manpower needs rationally.

(iv) In our opinion, the idea that a policy of preferring the "sons of the soil" for employment at the levels of management and labour makes for healthy industrial relations, has little validity. No reliable information is available in this regard, but we believe that deliberate localization of industrial relations is harmful from the national point of view. In fact, social and economic mobility, horizontal as well as vertical, is an important element of an industrial society.

(v) The need for co-operation and harmony between managements and workers at the plant and industry levels is obvious. However, the ideas and programmes for achieving harmony must be based on the awareness that "management" and "labour" are different interest groups which need to come together in the interest of increasing productivity in the whole country which in turn is in the interest of both the sections.

(vi) If the validity of the above need is recognized, the importance of a strong and viable trade union movement follows. Trade unionism at present is weak and ineffective due to various factors, such as lack of adequate leadership within unions, the socio-economic status of workers, apathy and hostility on the part of employers and ambiguous Government policy. We suggest that Government policy be changed in the direction of developing a strong and united trade union movement. Similarly, steps should be taken to encourage professional managements capable of using modern managerial techniques and approaches.

(vii) The problems of industrial relations at the plant-level are many and varied and depend so much on local conditions that it is difficult to make suggestions of general applicability. The significance of the issues emerging from matters of discipline, supervision, communications etc., is increasingly realized by modern managements. We believe that a comprehensive personnel department with adequately trained staff is very useful for evolving a stable and consistent system of industrial relations.

(viii) Labour-management consultative committees at the plant-level (particularly the Works Committee and the Joint Management Council) have been devised in a good democratic tradition and spirit. But these committees appear to be functioning very inadequately. There are several reasons for the slow progress made by them. Chief among these reasons are : the initial lack of understanding between the parties which continues and often dominates all aspects of industrial relations, the overlap of functions between various committees, and the lack of unity within the group of workers. We suggest that the entire area of joint consultation should be reexamined. Specific committees should be formed for joint consultation in the different



areas of labour relations such as productivity, safety and welfare, matters of personnel practices, handling grievances etc. We should like to stress that healthy, co-operative attitudes towards each other can be developed by the parties only on the basis of their recognition of each other as distinct interest groups. The necessity of developing strong trade unionism in this regard cannot be over-emphasized.

(ix) On the face of it, the Code of Discipline is the best instrument to achieve peaceful industrial relations. In practice, however, the Code has achieved little as it is based on a foundation of weakness and discord among the groups concerned. In our view, no useful purpose is served by invoking the Code for the remedy of deep-seated malaise in labour-management relations.

(x) Tripartite bodies such as the Indian Labour Conference (ILC) and the Standing Labour Committee (SLC) serve as useful instruments for evolving a labour policy based on consensus among the parties. However, these bodies should be reconstituted to provide an equal representation to all the important organizations of workers, employers and professional managers. The changed political situation in regard to the Centre-State relations should also be kept in mind while restructuring ILC-SLC.

(xi) The importance of providing for workers the minimum facilities of housing, recreation, transport, education etc., should receive greater recognition than it has done. Employers should realize that such facilities are necessary not merely from the point of view of a society oriented towards workers' welfare, but also as a factor in raising productivity. The Government should evolve coherent and rational policies regarding the allocations of responsibility in this area among

employers, the various levels of government and voluntary organizations.

(xii) Finally, we have pointed out at several places in this report that it was not possible for us to make useful observations or generalizations on important matters due to lack of adequate research on them. We may, therefore, list a few of the areas of industrial relations in which surveys and researches should be undertaken by scholars :

(a) To what extent is agricultural labour emerging as a distinct interest-group in different parts of the country ?

(b) What are the relative effects of paternalistic and rationalistic practices of management on the morale, motivation and productivity of workers and on the structure of industrial relations ?

(c) What are the social and economic implications of developing an adequately trained labour force for industry as well as for the whole society ? What are the important aspects of manpower planning in a given labour market ?

(d) What are the technological as well as socio-cultural types of workers and managers in this country ? What are the regional variations in the development of industry and industrial relations ?

(e) What difference does an "outside" or "inside" leadership make to the growth and working of a trade union ?

(f) What is the role of informal work-groups within Indian factories in affecting industrial efficiency and productivity ?

(g) What are the effects of housing, transport, education and other facilities provided to workers on their motivation, morale and productivity ?

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP ON LABOUR LEGISLATION, 1967—INTERIM REPORT

Delhi, Manager of Publications, 1968. 53p.

Chairman : Shri S. Mohan Kumaramangalam.  
Members : Shri N.M. Barot; Shri G.B. Pai; Shri R.K. Garg; Shri Y.D. Joshi; Shri B.R. Dolia; Shri C. Ramanathan; Shri C.J. Venkatachari.

Member-Secretary : Shri K.R. Wazkar.

Associate-Secretary : Shri Ishwar K. Ramrakhiani,

### APPOINTMENT

The National Commission on Labour, constituted the Study Group on Labour Legislation Vide its Memorandum No. 6 (10)/67-NCL dated April 25, 1967.

## TERMS OF REFERENCE

To analyse available information and project its thinking on Labour Legislation for the years to come, taking into account the possible developments in the field.

## CONTENTS

Foreword; Introduction; Historical Survey; Need for Labour Code; Synopsis of the Code; Summary of Recommendations; Annexures I and II.

## RECOMMENDATIONS

### Uniform Labour Code

1. The Study Group recommends that there should be a uniform labour legislation, called the Labour Code.

2. The Code will consolidate and codify and to the extent necessary, amend or add to all existing legislation on employment, welfare, social security and insurance, industrial disputes and trade union organizations and other related matters.

3. The Study Group recommends that the Code, while amalgamating and consolidating existing labour legislation, will contain important changes in the following fields :

(a) Standardization of definitions.

(b) Constitution of common authorities, both administrative and judicial, and creation of two all-India cadres—(i) Labour Judicial Service, and (ii) Labour Administrative Service.

(c) Standardization of terms and conditions of service.

(d) Integrated scheme of social security.

(e) Simplification of procedure with a view to speedy implementation and quick and inexpensive remedies.

(f) Adequate statutory provision for recognition of unions.

4. The Code will contain the following 15 chapters :

(1) Preliminary including definitions

(2) Registration of Establishments

(3) Standing Orders

(4) Terms of Employment

(5) Conditions of Service

(6) Regulation of Employment

(7) Apprentice Trainees

(8) Terminal and Unemployment Benefits

(9) Social Security

(10) Freedom of Association

(11) Authorities

(12) Statistics

(13) Remedies

(14) Offences and Penalties

(15) Miscellaneous.

5. The purpose of codifying all enactments into one central code is to make it applicable to all forms of employment in the industrial and trading spheres including government employees in such spheres and as such, the definitions of the terms have to be comprehensively and widely worded.

### Definitions

6. Twenty-three definitions which are common throughout the Code have been included in the preliminary chapter and the terms which are peculiar to a particular chapter are defined in that chapter.

7. Common definitions included in the Code are : adolescent, adult, allocable surplus, apprentice trainee, appropriate government, award, child, closure, dependant, employee, employer, establishment, labour dispute, lay-off, lock-out, officer, order, remuneration, retrenchment, settlement, stappage, strike, week.

8. The following four important terms have been amended and consolidated :

(a) Employer

(b) Employee

(c) Remuneration

(d) Establishment

9. There is no positive definition in the Industrial Disputes Act, 1947, for either employer or establishment and it was thought necessary in the interest of clarity that both these terms should be elaborately defined and for this purpose definitions in other labour enactments in India and elsewhere have been scrutinized. The present definitions are comprehensive.

10. The differing definitions of the terms 'wages' and 'workman' occurring in various labour enactments have led to considerable hardship as well as unnecessary litigation. On an analysis of the different definitions and the problems arising out of such differences, the Study Group is convinced that it has never been the intention of the framers of the various enactments to deprive any particular set of employees of protection, remuneration and other basic privileges.

11. In this connection, the Study Group has also considered the propriety of leaving out certain managerial and supervisory cadres from the existing definition of the term 'employee' and the Group is satisfied that no valid reason exists to deprive them of the security of employment and other benefits guaranteed under labour legislation. Hence the recommendation to include them in the definition of the term 'employee' in order to bring them within the purview of the Labour Code which would also permit them to form separate managerial unions. Further, the Group accepts the position

that certain restrictions may have to be imposed on these managerial unions particularly in respect of strike situations.

#### **Authorities—Judicial and Administrative**

12. As at present constituted, the various enactments have their own judicial, quasi-judicial, and administrative authorities to implement provisions of those enactments. It has been found in practice that the functions of a number of authorities overlap each other and no clear-cut procedure is laid down for the functioning of these authorities. In the interest of speedy implementation of the provisions of the Code and to ensure quick and inexpensive remedies, it was thought necessary that all these authorities should be integrated into two cadres, judicial and administrative, and their functions clearly demarcated and procedures simplified. A suitable provision should be made for training of the judicial cadre in the techniques of conciliation and similar work done by the administrative cadre.

#### **Terms And Conditions Of Service—Standing Orders**

13. The terms and conditions of service under the Code will be standardized. As a first step, it was decided that the present system of certification of Standing Orders should be given up and statutory Standing Orders should be evolved with a provision for variation of Standing Orders to suit the peculiarities of particular industries. This variation will be effected through the judicial machinery provided under the Code on the application of any party concerned.

#### **Leave And Holidays**

14. Similarly, it was decided to standardize conditions of service like privilege-cum-casual leave at 30 days a year and holidays at 7 days in the year, with a provisions to give monetary compensations to employees, wherever their existing privileges are affected, by a suitable formula being engrafted in the Code for this purpose.

#### **Domestic Enquiry And Procedure For Disciplinary Action**

15. The Study Group was of the opinion that the evaluation and codification of a clear-cut procedure in respect of disciplinary enquiries would avoid unnecessary litigation and hardship to the workers and provisions have been made in the Code in this behalf.

16. With regard to the terms of service, as already pointed out, a comprehensive definition of remuneration has been adopted. It was thought by the Study Group that a provision for incentive wage should be made an integral part of remuneration and the norms

should be decided through committees consisting of representatives of employers and employees. This would also assist towards evolution of a healthy participation as well as increasing productivity.

#### **Wage Boards**

17. The normal machinery for the fixation of minimum remuneration would be the appropriate government. Resort is provided to the judicial authority for the fixations of wages above the minimum level. In addition, where an all-India wage fixation above the minimum level is found necessary, a wage board composed of a member of the judicial cadre assisted by representatives of employers and employees should be set up. The Study Group is of the opinion that the non-statutory wage boards functioning in their present form have not been effective.

#### **Social Security**

18. An integrated scheme of social security has been recommended in the Code. This scheme covers the benefits in enactments such as the Employees' State Insurance Act, 1948, the Workmen's Compensation Act, 1923, the Maternity Benefits Act, 1961, and the Employees' Provident Funds Act, 1952. It also provides for voluntary insurance in respect of compulsory gratuity, retrenchment compensation and lay-off compensation. An integrated machinery is provided for the administration of the various schemes and benefits. Thus the Social Security Corporation has the additional function of an insurer, apart from carrying out its other statutory obligations.

#### **Procedure Before Judicial Authorities**

19. Apart from the creation of common judicial and administrative cadres, it was also thought necessary that the procedure before the various authority should be simplified and made speedy and effective. The normal practice followed in courts of an elaborate procedure of evidence by production of documents through witnesses and by oral evidence has to be substituted to a large extent by allowing parties to rely on non-controversial statistical data provided by appropriate authorities under the Code or through affidavits of parties and witnesses. It was also thought necessary to vest in the judicial authority the discretion to refuse cross-examination on affidavits in appropriate cases in order to speed up the trial. The judicial authority under the Code would be a court under the Contempt of Courts Act, 1952, to enable the judicial authority to function with sufficient authority in the interest of justice.

20. Regarding the question of recognition of unions, it was agreed that there must be statutory pro-

vision for recognition as that would help substantially towards greater stability of employer-employee relations. Further, that where crafts are clearly defined, craft unions may also be permitted to be recognized.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP ON PRODUCTIVITY AND INCENTIVES, 1967—REPORT

Delhi, Manager of Publications, 1968. xi+81p.

Chairman : Shri Bagaram Tulpule  
Members : Dr. R.M. Shah; Shri N.S. Mankikar;  
Shri A.A. Niazi; Shri Duleep Singh; Shri  
N.S. Ramaswami; Shri M.R. Ramsay;  
Shri A.N. Buch (Replaced Shri N.H.  
Sherkh).

### APPOINTMENT

The Study Group on Productivity and Incentives was appointed by the National Commission on Labour vide its Memorandum No. 6 (2) 67-NCL dated April 26, 1967.

### TERMS OF REFERENCE

The Study Group will, in regard to the subject allocated to it, ascertain facts from available literature on the subject draw conclusions and suggest solution to the problems posed by the Group for the consideration of the Commission. The Commission may also pose problems for consideration of the Group from time to time.

### CONTENTS

Foreword; Introductory; The Background; Organisation of Work; Productivity and Techniques; Measuring and Sharing Gains of Productivity; Incentives; Training and Facilities; Use of Productivity Techniques in India; Productivity and Technology; Human Factors in Productivity; The Role of Government; Summary of Conclusions and Recommendations.

### RECOMMENDATIONS

#### The Background

1. Productivity is influenced by many factors some of which are internal to a unit while others are external

to it. The approach to productivity should be comprehensive and all-embracing.

2. Increase of labour productivity in India requires improvement in the social and economic circumstances of workers. Substantial shares of gains from increasing productivity should, therefore, be provided to labour.

3. Increase in productivity also requires a modern technological base and improved organisation of work.

4. The productivity movement in India began with the arrival of the ILO Mission in 1952. The Mission's efforts did not go far due to the fear that any great changes might disturb the established wage structure and industrial relations in the Textile industry. The experience of the Mission showed that productivity programmes have to be formulated on a realistic assessment of actual situations, rather than on preconceived aims and objectives.

5. The setting up of the Productivity Centre and later of the National Productivity Council and the Local Productivity Councils, and the work done by them by sending productivity Teams abroad and running training programmes in productivity have given further impetus to the productivity movement. The impact of these efforts has not, however, come upto expectations due to various causes.

#### Organisation Of Work

6. The primary responsibility to raise productivity through proper organisations and control of work, personnel policy and plant and equipment, rests on management.

7. Work should be so organised as to minimise the physiological cost of doing it. In India, due to the very low nutritional standards of workers, this is particularly important.

8. Full and efficient utilisation of available means

### COMMITTEES AND COMMISSIONS

and continued improvement in organisation and methods can increase productivity even when substantial changes in equipment are not possible. The application of work-study including production planning and control, simplification, standardisation and specialisation, close co-operation and interchange of information, costing and budgetary control and so on, are important in the efforts to raise productivity.

### Productivity Techniques

9. Several techniques have been evolved for raising productivity by optimising/maximising the utilisation of all available resources. These techniques draw upon knowledge in various disciplines—mathematical, physical and social sciences—and apply it to men, materials, machinery and management.

10. Production methods and technology that have proved successful in one situation or country will not necessarily prove to be so in another when availability of raw materials, scale of operations, climatic conditions and such other factors are quite different.

11. Productivity techniques should be applied with the association of the workers' trade unions and the data derived from the studies should be used as guide to the management and the union in arriving at agreed decisions about the changes to be made.

12. Method Study consists of selection of work to be studied recording of facts about the existing method of doing it, critically examining these facts, evolving an improved method of doing it, installing the evolved method as standard practice and maintaining it.

13. Work Measurement is the determine of the time required to carry out a particular job at a defined standard of performance by a trained worker by the use of any among several available techniques.

14. In the application of Method Study and Work Measurement, together referred to as Work Study, the fears and suspicions of workers about loss of jobs or harm to their other interests must be dispelled by giving them clear assurances and by keeping them and their representatives fully informed before the studies are conducted.

15. Other techniques in Industrial Engineering :

- (i) Inventory Control;
- (ii) Stores Keeping Methods and Practices;
- (iii) Plant Design and Lay-out;
- (iv) CPM and PERT;
- (v) Standardisation, Simplification and Variety Control;
- (vi) Job Evaluation;
- (vii) Merit Rating;
- (viii) Value Engineering;
- (ix) Office Organisation and Methods;
- (x). Materials Handling;

- (xi) Production Planning and Control;
- (xii) Waste Reduction;
- (xiii) Product Engineering;
- (xiv) Systematic Plant Maintenance;
- (xv) Personnel Administration.
- (xvi) Marketing;
- (xvii) Operations Research;
- (xviii) Management Controls.

### Measuring And Sharing Gains Of Productivity

16. Productivity is a measure of the extent to which the resources are utilised to produce goods and services and it can be measured between any two stages in a productive process. It can also be measured for each resource. Two productivity values will be comparable only if both are for the same resource, in the same unit and for the same stage.

17. Gains of productivity during a given interval of time is the difference in the cost of production on the basis of the productivity at the beginning of the time interval and the actual cost of production at the end of the interval, both costs being calculated at constant prices.

18. Equitable sharing of the gains of productivity among all the agents must fulfil a number of conditions.

19. Several methods already exist for sharing the gains of increased productivity among labour, capital and the community. There are also several non-financial methods of sharing the gains.

### Incentives

20. Incentive is a device for increasing productivity and sharing the gains of the increase. Among the various available methods, it is the cheapest, quickest and surest. Along with it, improved work methods and improved organisation and planning should also receive first attention since they require no capital expenditure.

21. Monetary incentive is paid for extra contribution of effort and co-operation, as distinct from the normal wages which take note of the characteristics of the job itself. Hence, wages and incentives can together take account of both the job characteristics and the workers' application to the job.

22. The performance-based system of payment is more complex than that based entirely on attendance.

23. Incentive schemes are devices for coinciding the interests of the workers with those of the organisation and can be devised to fulfil various objectives though the most common objective is to increase output.

24. In measuring performance for the purpose of payment of incentives, a number of considerations need to be kept in view.

25. Incorrect standards do incalculable harm to the concept as well as the operation of incentives. Hence, correct standards should be set by using industrial engineering techniques.

26. The period for assessment of performance for the purpose of computing incentive earnings should be as short as possible, a day or a shift being the proper period wherever practicable.

27. Individual incentives are the most effective ; but group incentives can also be adopted where special conditions render individual incentives difficult to adopt.

28. Once incentives are introduced in a plant, it is imperative to extend them to cover as many of the employees as possible.

29. The four critical performance indices in incentive schemes are :

- (i) The Standard Index,
- (ii) The Reference Index,
- (iii) The Base Index,
- (iv) The Incentive Index,

30. Since in India the Reference Index is far below the Standard Index, incentives have to start near about the Reference Index.

31. Incentive should be computed as a certain percentage of the basic wage plus dearness allowance.

32. In designing the performance-reward relationship, a number of considerations have to be kept in mind. Different types of relationship are also possible.

33. Multi-factor incentive schemes which measure workers' performance, on more than one factor separately and reward such performance, can also be designed.

34. The quantum of incentive earnings should be such that it should not raise the total unit cost of production but should reduce it, and, at the same time, should be adequate to generate motivation. Above the standard performance, it should pass on to the worker the entire savings in the labour costs. Between the base performance and standard performance, the rate of incentive should be somewhat lower than above.

35. Various kinds of safeguards to protect the interests of workers as well as of the organisation should be provided in the collective agreement on incentives.

36. The worker expects an equitable adjustment for failure to meet the set performance levels due to causes beyond his control such as lack of materials, breakdown of equipment, lack of orders, etc. Such adjustment can be ensured by :

- (i) Including a factor of adjustment for lost time in the standards and norms themselves where the time loss such as can be averaged out over

a period of time by reference to the records.

- (ii) Paying for the lost time at the normal wage rate without incentive ;
- (iii) Paying for the lost time at the average incentive rate for the time actually worked ;
- (iv) In case of piece rates, providing certain pre-determined fall-back wage rates.

37. Rate-cutting undermines the confidence of workers in an incentive scheme and hence defeats the purpose of the scheme. Hence, the incentive norms and standards or the piece rates should be guaranteed. The scheme should provide for remeasuring of jobs affected by any significant change in the methods, materials, machine processes, tools, etc.

38. In existing schemes, if standards are faulty, it may be possible to correct them; but in doing so care must be taken to suitably compensate workers who may be adversely affected by such corrections.

39. Incentive schemes are not a method of increasing or decreasing wages or of justifying low wages. Existence or absence of an incentive scheme should not have any effect upon the basic wage which should be governed entirely by the characteristic of the job.

40. It is unnecessary to establish any arbitrary ceilings on incentive earnings to limit human exertion. However, technical grounds like safety of workers or equipment or requirements of quality may justify, under proper circumstances, ceilings to limit performance to levels below human capacity.

41. Gains of technological change should also be shared with workers though one or more of the following methods :

- (i) Increase in wages of concerned workers,
- (ii) Lump-sum panchayats,
- (iii) Larger share in various bonuses and production sharing/cost-saving schemes.

42. Various kinds of non-financial incentive are also known to motivate workers and these should be properly used simultaneously with monetary incentives.

### Training Facilities

43. Training at different levels and in specific areas plays a vital role in contributing to higher productivity. The main areas of training are :

- (i) Craftsman Training,
- (ii) Supervisory Foremanship Training,
- (iii) Scientific and Technological Training,
- (iv) Management Training,
- (v) Training of Professional Industrial Engineers,
- (vi) Trade Unions Training.

44. The rapid growth of science and technology makes it necessary to provide adequate retraining programmes for craftsmen who have already been employed in industry.

45. The supervisors in industry play an important role in determining the performance of the whole organisation and they have to deal with a variety of aspects; technical, social and human. The training of the supervisors, therefore, requires to be given sufficient importance.

46. A large number of institutions are today engaged in education and training in the field of science and technology, management and industrial engineering. These institutions are making valuable contribution to productivity by supplying industry with personnel of the required training and competence and also raising the performance of the personnel already in employment by offering them opportunities for training in their respective specialities.

47. To enable trade unionists to understand the problems of productivity and the techniques used, to overcome their misgivings regarding the consequence of rising productivity and to enable them to play a positive role in the productivity campaign, facilities to give them training in productivity need to be expanded. All the agencies presently engaged in trade union education work should give due importance to productivity in their courses. The Central Trade Union Organisations have a special responsibility in this respect.

#### Use Of Productivity Techniques In Industries In India

48. From replies received from about 87 well established companies with relatively sophisticated management to a questionnaire issued by the NPC for the purpose of a survey, the following conclusions about the use of productivity techniques in industries in India can be drawn :

(i) Industrial engineering techniques are used over a wide area of operations, but not much in depth.

(ii) The personnel entrusted with the application of productivity techniques is not always adequately trained therein.

(iii) Work-measurement is primarily applied to production jobs and not much to other kinds of jobs. Time study is the most widely used method for the purpose.

(iv) The proposals evolved by work-study are often not implemented, resistance by middle management being the most common cause thereof. Non-cooperation by labour of indifference of top management are not serious obstacles in implementation.

(v) Among the responding companies the use of incentive schemes is common on production jobs but infrequent on other kinds of jobs. Increases of 30-50 per cent in output and 25-45 per cent in earnings have been generally achieved. Starting point of incentive

earnings is usually between 40-60 per cent performance.

(vi) The frequency of information to workers on their incentive performance generally ranges from daily to monthly.

(vii) Use of other techniques like Job Evaluation, PERT, Operations Research, etc., is not very common even in this relatively sophisticated sample.

#### Productivity And Technology

49. While technology in the long run opens up the gates to virtually limitless productivity, the adoption of any particular level of technology in a given situation has to take into account a number of factors : economic, social and human.

50. The displacement of labour by advancing technology is a problem which calls for effective action in the following ways :

(i) Sufficient advance planning of the change and full advance consultation with all groups that are likely to be affected by change;

(ii) Phasing the introduction of the change so that the displacement of labour can be balanced either with the overall growth of the industry or with other factors like natural wastage, retraining for employment in other industries, and so on;

(iii) Reduction in the hours of work;

(iv) Adequate facilities for training in the new skills and operating techniques for the changed technology;

(v) Extensive measures of social security so that the unavoidable redundancy of labour will not cause excessive hardship to the workers concerned;

(vi) High purchasing power in the community as a whole.

51. Adoption of higher technology is not a substitute for the use of proper productivity techniques to ensure the best possible use of existing resources.

#### Human Factors In Productivity

52. Factors which hamper productivity of workers are :

(i) Poor standards of nutrition.

(ii) Poor living conditions.

(iii) The traditional management assumptions that workers are naturally lazy, irresponsible and incapable of making any positive contributions to their jobs. These assumptions inhibit any positive response from workers and trade unions to productivity efforts.

(iv) (a) Unsatisfactory industrial relations which make it extremely difficult to introduce productivity techniques smoothly and successfully. To promote sound industrial relations the employers and workers should build up the proper attitudes and traditions of resolving their differences on a bipartite basis. This requires a certain degree of mutual recognition between both the sides.

(b) The present administrative machinery for dealing with industrial disputes is not adequately equipped to handle problems of technical nature which are involved in the field of productivity. This makes it all the more important that employers keen on productivity should purposefully seek sound bipartite relations with the organisations of their employees.

(c) The question needs to be carefully examined whether the present industrial relations law and machinery inhibit the growth of sound bipartite relations between labour and management.

(v) (a) Trade unions must evolve some satisfactory methods for resolving, at least at the unit level, the problem of their mutual rivalry since such rivalry does much harm to productivity.

(b) Trade unions must also develop within themselves the necessary specialised knowledge and expertise in productivity techniques both for protecting the interests of their members and for playing a positive role in productivity.

53. The decision of the 15th session of the Indian Labour Conference on rationalisation which sought to allay the fears and apprehensions of workers regarding loss of employment and excessive workloads has not proved effective in actual practice.

54. Special attention must be paid to the motivation of workers since that is the decisive positive factor in raising their productivity. Human factors like workers' individual, social and psychological needs are important in their motivation.

55. Workers can make a positive contribution to productivity if their active cooperation is sought and enlisted for the purpose through appropriate institutional framework like joint productivity committees and through suggestion systems, etc.

56. Attitudes and skills of supervisors have much influence on the attitudes and performance of workers under them. Proper training of supervisors is, there-

fore, important.

### The Role Of Government

57. The Government must pursue policies which will contribute to the growth of a social, political and economic climate in the country conducive to the rapid and continuing growth of production and productivity and equitable distribution of the same.

58. The objective of increasing productivity must be raised to the level of a high national purpose and the regulation of industrial relations as well as policies in other related fields should be oriented towards this objective. Especially, it must be ensured that the workers get their due share in the benefits of rising productivity and their status in the social and political set up in the country is paid due attention to.

59. The Government must take purposeful steps to improve the nutritional standards and living conditions of workers so as to raise their productivity.

60. The industrial relations legislation and administration in the country should be so conceived as to promote sound collective bargaining even at the risk of some possible industrial conflicts.

61. Specialised bodies working in the field of productivity like the NPC, the LPCs, the training institutes in productivity, etc., should be provided the means to extend their activities at the shop-floor level.

62. Research in all aspects of productivity need to be promoted and encouraged on the widest possible scale so that the approaches and methods best suited to Indian conditions can be developed and made available to industry. The public sector should play a particularly active role in this respect.

63. The Government should provide specialised, technically competent, independent and impartial agencies to assist employer and trade unions in handling productivity problem and resolving disputes arising therefrom.

## NATIONAL COMMISSION ON LABOUR, COMMITTEE ON WORKERS EDUCATION, 1967—REPORT

Delhi, Manager of Publications, 1968. 66p.

Chairman : Shri V.K.R. Menon.

Members : Shri S.C. Joshi; Shri M.S. Warty; Member-

Shri T. Parmanand; Shri J.P. Naik;

Dr. A.N. Likhate.

Secretary : Dr. M.A. Chansarkar.



## APPOINTMENT

The National commission, on Labour Constituted the Committee on Workers Education Vide its Memorandum No. 6(4)/67 dated April 27, 1967.

## TERMS OF REFERENCE

(1) To study and report on how far the basic aims and objectives of the scheme as operated by the Central Board for Workers' Education are being fulfilled ;

(2) To consider and advise whether any changes are necessary in the policies of the Board and measures adopted by it, the machinery for and the mode of operation of the scheme;

(3) To recommend measures for the enlisting fuller and wider cooperation of employers and trade unions in the operation of the scheme;

(4) To recommend measures for the association of State Governments, universities and other educational institutions in the operation of the Scheme; and

(5) To consider any related or ancillary matters and to make Recommendations thereon.

## CONTENTS

Introduction and Background; Material Made Available to the Committee; Training Programmes; Involvement of Trade Unions, Managements and Other Non-official Bodies; Administration; The Future; Summary of Recommendations; Acknowledgements; Annexures from (I) to (V).

## RECOMMENDATIONS

I. In reaching our conclusions and recommendations, we have constantly borne in mind the specific terms of reference reproduced in the beginning of this report. But we have deliberately refrained from grouping the recommendations separately in regard to each of the terms of reference as some of them equally cover more than one of these terms. Further, some of our recommendations are not covered by any of the specific terms of reference and if they have to be allotted to any of them, they can only come under the last general term of reference, relating to 'related or ancillary matters'. We feel, however, that by doing so, there may be a risk of their relative importance being minimised.

II. The following is a summary of the various Recommendations we have made :

1. Recommendations of continuing nature made by the ILO Expert, suggestions and recommendations of the Review Committee and the Bombay Evaluation Committee as endorsed modified in this report should be implemented expeditiously.

### Training And Syllabi

2. The condition that all the trade union nominees

trained as education officers should be employed in conducting education programmes should be altered and provision made for utilising them for trade union work as well.

3. The worker-teachers should be utilised both for conducting unit-level classes and for trade union work.

4. Changes in the syllabi, making them trade union based, is necessary.

5. The single term "worker-teacher" might itself need a change, as such persons as go in for trade union work can hardly be designated teachers.

6. It is desirable to have different courses as between persons who are to become worker-teachers and those who are to engage in trade union work.

7. To provide incentive to worker-teachers who put in sustained effort in conducting unit-level classes, a regulated increase in honorarium should be given.

8. The proposed changes in the curricula and syllabi for the worker-teachers' courses should involve corresponding changes and simplifications in the courses at unit level as well.

9. The regular syllabi for the training courses should not include 'extraneous' subjects. Such subjects as are of general interest to the worker as a citizen should be dealt with separately and not as part of the regular curriculum.

10. The following three areas of courses need to be given their dominant place in the syllabi both for worker-teachers and for workers :

- (i) The purpose of trade unions,
- (ii) Trade union organisation, administration and procedure.
- (iii) Trade union-management relations and problems of collective bargaining.

### Improvement In Quality

11. The emphasis on the improvement of quality should continue, more particularly in the unit-level classes.

12. Unit-level classes, now shaped on the fashion of one-teacher schools, may be replaced by three-teacher schools.

13. The quality of training programmes can be improved by arranging more guest lectures in the unit-level classes than at present.

14. The education officers should also be associated with the teaching at the unit level.

15. Refresher courses should be arranged for the worker-teachers periodically.

16. The programme of production of educational films should be given high priority by the Board. Pending the production of films, available Indian and

foreign educational films should be put to the maximum use.

17. More film-shows should be arranged at the unit level. Necessary equipment in the form of film-cum-library vans, projectors, etc. should be made available to all the Regional and Sub-Regional Centres.

18. The quality and diversity of other visual aids like filmstrips, flip charts, flash cards etc., also need to be improved.

19. Another method by which the quality can be improved is that of case-studies on subjects like bonus, wages, strikes, retrenchment, grievances, etc.

20. Model lesson plans giving specific points for discussions should be prepared by the Board for the use of worker-teachers, reflecting local conditions.

21. The two tiers of teachers, namely, the education officers and worker-teachers, have to be qualitatively superior. As regards worker-teachers, unions should be persuaded to nominate candidates of good qualities and organisational ability.

22. The Board should attempt vertical coverage of workers on industrywise basis and, in addition to training of rank and file and worker-teachers, provide courses for the training of shop stewards, union officials and senior executive of trade unions.

#### Grants-In-Aid

23. Some conditions of grant-in-aid, like amendment of union constitution, following governmental procedure for making purchases etc., should be removed.

24. Wide publicity should be given to the liberalised procedures and various new short-term training programmes among unions and other institutions which may be encouraged to avail of the grants-in-aid.

25. The Board which gives the grant should have adequate measures of check to ensure that the money is properly and profitably spent and in the right direction.

#### Involvement Of Trade Unions

26. Where the employers are willing to afford the trade union the same facilities as they now give to the unit-level classes run under the auspices of the Board, the unions may be allowed to run a few such classes by way of experiment.

27. There should be more regular informal consultations with the trade unions for an exchange of views.

28. Both for the meeting of the Board as well as the Local Committees, the members may be specifically requested, well in advance, to suggest items for discussion at the forthcoming meeting together with small explanatory notes.

29. An experienced and qualified trade unionist should be added to the education officer staff of each Centre as recommended by the ILO Expert.

30. Similarly, if a trade union requests for the services of a Board's education officer for conducting its own workers' education programme, there should be no objection to grant such request.

#### Involvement Of Management

31. It is hoped that if, as a result of making some basic changes on the lines we have already indicated, trade unions take a keener and positive interest, managements also will not lag behind.

32. The management of public sector undertakings should give a lead in the matter of extending full co-operation and providing of facilities to the working of the scheme. They should serve as a model for the private sector.

33. There is need to open larger number of unit-level classes in the public sector. Where public sector undertakings are not able to provide time-off facility, a trial should be made by releasing workers in suitable batches to join full-time training courses of 3 weeks' duration.

34. The representatives of employing ministries should be invited by the Board to discuss measures for implementing workers' education programmes in their respective ministries on a larger scale than hitherto. The Board may also offer industry-wise training courses to the workers employed in the establishments covered by these ministries.

35. It is a matter of concern that some State Governments have not yet issued definite instructions to heads of public sector undertakings for effective implementation of the workers' education programme.

#### Setting Up Of Workers' Education Associations

36. The Board should now proceed to give encouragement for setting up workers' education associations and other bodies to undertake voluntarily workers education programme.

37. The encouragement to be given by the Board should not end once the associations are set up. The Board and Local Committees should take a regular and continuing interest in the work of these associations. Such of them as prove effective can be given appropriate consultative status.

#### Literacy

38. As at present, the Board should refrain from assuming direct charge of arranging programmes for removal of illiteracy. It should, however, continue to take an active interest in the work done by the other bodies and give all possible encouragement.

## Evaluation

39. The recommendation of the Review Committee to have an assessment of the scheme made from time to time should be fully implemented. The report for Bombay can also be used as a basic document for detailed examination and early action. If this is done expeditiously, any revised programmes and syllabi adopted as a result could be applied for about three years of the remaining period of the Fourth Five Year Plan.

## Administration

40. Whenever difficulties have arisen owing to lack of adequate staff, the authorities should take immediate steps for strengthening it.

41. Education Officers should spend adequate time on inspection and supervision of classes run at the unit level. It should be laid down that at least fifty per cent of their time should be devoted for inspection, guidance and supervision work.

42. If the local committees actively exercise their functions, they will indeed have an ample mouthful. The need is not to add on more functions but to ensure that these committees show greater initiative and interest in performing the functions already prescribed. Responsibility should be fixed more positively.

43. It is desirable to specifically bring out in the monthly bulletin of the Central Board for Workers' Education instances of good work done by local committees.

44. A further momentum can be given if representatives of workers/employers are nominated as chairmen of the local committees.

45. The chairman of the Board may be appointed by rotation among government, workers and employers. The tenure may be 3 years.

46. In order to co-ordinate the activities of the Regional Centres and involve State Governments to a greater extent in the implementation of this programme, State Boards may be established.

## Central Training Institute

47. The idea of the Central Training Institute is fully endorsed. In the beginning, all or the bulk of efforts should be confined to the training programmes which are of prime importance.

48. After achieving the initial tasks relating to training programmes, the Central Training Institute should develop into a demonstration and information centre and should act as a nucleus around which specialised schemes for training and education to labour should be evolved. It should serve not only as a clear-

ing house of knowledge for the Regional and Sub-Regional Centres, but should, over a period of time, achieve eminence in the field of labour education, ultimately gaining the status of worker's university.

49. After gaining some experience of the working of the Central Training Institute, Regional Institutes should be established.

## Permanency Of The Board

50. The Government of India should now put the workers' education programme on a permanent footing and provide for the financial grants to the Board in the regular budget.

51. The policy of appointing Regional Directors by Promoting Education Officers should continue. The Board should provide reasonable channels of promotion to its officers within the organisation.

52. Transport facilities at each Regional Centre should be provided to improve the present level of efficiency.

53. For wider publicity, seminars and conferences may be organised at the All-India and State levels. A Workers' Education Day should be celebrated annually throughout India. Fortnightly bulletins for workers should be published.

## Foreign Assistance

54. In new fields like worker's education, which are new to our country but where great strides have been made in others, foreign assistance can be helpful and make an effective contribution.

55. As among countries of Asia and Africa, India has taken a lead in launching a massive programme of workers' education, and requests for expert assistance that may come up from one or the other of those countries should be sympathetically considered.

## Future

56. Workers' Education movement is dynamic and will have to be adjusted from time to time according to developments elsewhere, particularly in the field of industrial and general economic development.

57. The workers' education should develop into a powerful movement and should move forward in many directions.

58. The more immediate need is to rapidly make the necessary adjustments in the training courses and in the other directions we have indicated.

59. During the Fourth and Fifth Five Year Plan periods, the quality, contents and consolidation should be given high priority.

60. During the next phase, the programme should be expanded to suit the requirements of new categories of workers like agricultural and those belonging to

distributive trades, etc. A beginning should also be made for the transfer of the operation of the programmes to the trade unions.

61. To selected unions and associations taking up the programme of workers' education, the Board should provide the required technical and expert guidance. Simultaneously, the Board will have to assume higher responsibilities in new directions.

62. The more urgent need is to make a determined effort to take such steps as would make the transfer of the scheme to trade unions, at the appropriate time, easy and smooth. It would be well if, once a year, the Board makes a review of the progress made in these matters so as to make sure that we are indeed moving forward in this direction.

63. While implementing the various recommendations, the Board will have to act in close collaboration with other agencies in the field.

64. The Board should encourage and promote the establishment of workers' education departments in the central trade union organisations and federations.

65. In the universities and labour institutes, the Board may encourage vacation labour school which should be run in close collaboration with the trade unions.

66. The Board itself will have to be enlarged to include the larger representation of trade unions, employers, State Governments and Universities without disturbing the present balance. The representatives of the public sector also need to be taken on the Board.

67. The Governing Body may, however, continue to be a smaller one, as at present.

68. It should be possible in future to develop the programme in a much bigger and ambitious manner than at present.

## NATIONAL COMMISSION ON LABOUR, THE STUDY GROUP ON INDUSTRIAL RELATIONS (EASTERN REGION), 1967—REPORT

Delhi, Manager of Publications, 1968. 35p.

Chairman : Shri P.N. Krishna Pillai.

Members : Shri M. Ghose ; Shri M.V. Madiman;  
Dr. G.P. Sinha; Shri G.G. Padalkar; Prof.  
A.D. Singh ; Shri A.P. Sharma ;  
Dr. Ramen Sen; Shri Arun Bhattacharya.

### APPOINTMENT

The Study Group on Industrial Relations (Eastern Region) was constituted under the National Commission on Labour in May 1967.

### TERMS OF REFERENCE

To draw upon such material on the relevant area of the Commission's enquiry and projects its thinking for the years to come on the specific aspects entrusted to it.

### CONTENTS

Foreword; Introduction; Industrial Relations; Suggestions and Recommendation ; Note on Gherao (Annexure A); Note on Gherao (Annexure B).

### RECOMMENDATIONS

#### Registration Of Trade Unions

Once the sole bargaining right is conferred on the representative union, the tendency to form and register rival unions will be minimised.

#### Recognition Of Unions (Bargaining Agents)

Since law have been progressively enacted to regulate employer-employee relations in India, it is felt that statutory provisions should be made or recognition of the representative union in an industry or an industrial unit provided that certain conditions as laid down in Section 26 D of ITU (Amendments) Act, 1947 are fulfilled. The question as to whether the recognition should be an industry-wise or unit-wise basis will depend on (a) the set up of employers' and employees' organisations in an industry, (b) the pattern of negotiation developed for determining the terms and conditions of workers employed in the industry, and (c) the extent of homogeneity of the various units of an industry.

Recognition of a representative union in an industry or an industrial unit presupposes that other unions in the same industry or the industrial undertaking will be precluded from raising any industrial dispute in respect of workmen employed therein. Statutory provision for recognition of the representative union should also lay down the rights and obligations of both employers and trade unions concerned and specify the period, say three years, for which such recognition should remain valid. In this connection, provisions on unfair practices by the ITU (Amendments) Act, 1947 may be adopted with such modifications as may be deemed necessary.

#### Check-off And Union Shop

The practice of "Union Shop" or "Closed Shop" should not be encouraged in any way.

#### Outsiders In Trade Unionism

'Outsiders' have played an important part in developing trade union movement in the country and their presence is still necessary in trade unions. Every effort should be made by trade unions to create a cadre of wholetime trained trade union workers to manage the affairs of unions. The tendency of some individuals to become office bearers of a number of unions without being able to devote the necessary attention to the affairs of such unions should be discouraged. The Trade Unions Act should be amended so as to restrict individuals from becoming office-bearers of more than certain number of registered trade unions.

#### Functions Of Trade Unions

There is need to improve the functioning of trade unions in this region. The primary objectives of trade unions should be to promote the economic and social well-being of workers. The trade unions should function more democratically and all major issues should be referred to the general body for a decision. Power to act should not be concentrated in the hands of a few. By-laws of unions regarding holding of annual general meetings and election of office-bearers, administration of funds, submission of periodical returns to the Registrar of Trade Unions should be strictly adhered to and the Trade Unions Act should be amended to ensure such adherence.

Since intra-union rivalry has often posed problems for trade unions themselves and also reflected adversely on industrial relations, it is suggested that autonomous quasi-judicial agency which will be set up to settle the representative character of unions, should be empowered to decide, as expeditiously as possible, the claim of rival groups to become office-bearers of a union as the existing procedure of resolving such disputes by civil Courts and High Courts involves considerably delay.

#### Strikes/Lockouts

In any case, the principle sought to be embodied in the Industrial Disputes Act to restrict strikes and lockouts as far as practicable in a planned economy and to prohibit all strikes in an establishment during the pendency of any dispute before a Tribunal or Labour Court has failed to achieve the desired objective. Strikes and Lockouts in contravention of the provisions of Act have taken place. Therefore, such provisions should be modified and strikes and lockouts only on issues covered by an agreement or award or on matters pending before an Industrial Tribunal or Labour Court should be prohibited. Parties should be increasingly free to develop their mutual relationship in a way that they think proper, leaving the State free to interfere only where the interests of the community are likely to be seriously endangered.

#### Settlement Of Disputes

*In any industry where the pattern of industry-wise bargaining has been developed or the terms and conditions of employment for the workers employed in the industry have been standardised by awards and agreements, industry-wise bargaining should be encouraged. Otherwise bargaining should be done at the unit level.*

These should be greater recourse to voluntary arbitration. Minor issues not involving any question of principle or law or high financial State should be settled by arbitration and the National Arbitration Promotion Board which has been set up by the Government should try to prepare an illustrative list of issues which should normally be settled by arbitration. An up-to-date list of arbitrators should also be prepared and circulated to all concerned. Tendency to appoint conciliation officers as arbitrators should be discouraged as otherwise they might be effective in their conciliation work. The cost of arbitration should be normally shared by both parties.

In case where parties fail to resolve any dispute by direct negotiations they may seek the intervention of the conciliation officer. If (i) greater emphasis is laid on collective bargaining and direct negotiation between the parties, and (ii) unrecognised unions are precluded from raising an industrial dispute it is expected that the burden of the work on the conciliation officer will be reduced.

In case where conciliation fails and voluntary arbitration is not agreed to by the parties, a dispute may be referred to a tribunal for adjudication provided that (i) strikes or lockouts are not in existence and (ii) Government is satisfied about the prima facie merits of the case.

It is also worth considering whether industrial courts after examining the dispatched issues should try to persuade the parties to come to terms on a reasonable basis thereby making their awards acceptable to them and reducing the tension which often follows on

account of imposition of an award on the parties concerned.

#### Joint Consultation

Joint consultation is very necessary for collective bargaining to be successful.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR HEAVY ENGINEERING INDUSTRIES, 1967—REPORT

Delhi, Manager of Publications, 1969. 76p.

Convener : Shri R.S. Pande.

Members : Shri S.K. Datta; Shri N.K. Sen-Gupta;  
Shri C.E. Cargin; Shri Gopeshwar;  
Shri Mohammed Elias; Shri Ram Desai;  
Shri A.N. Singh; Shri D.N. Ghose.

Member-

Secretary : Shri R. Chibb and Shri L. Prasad.

### APPOINTMENT

The National Commission on Labour set up a Study Group for Heavy Engineering Industry in its attempt to understand the changes in condition of labour in that industry since independence vide its letter No. 3(18)/67 NCL dated May 23, 1967.

### TERMS OF REFERENCE

The analyse available information and project its thinking on labour problems in the Heavy Engineering Industry for the years to come taking into account the possible developments in the Industry;

(a) The recent experiences of the industry in the different areas of its investigation;

(b) The problems facing the industry; and

(c) The problems likely to arise in the foreseeable future which may have a bearing on the terms of reference of the commission and the solutions, if any, to these problems.

It is also the intension that all the available data which may be relevant to the inquiry should be critically examined with a view to formulating proposals in the light of existing facts.

### CONTENTS

Introduction; Problems of Development Over the Last

Two Decades; Their Present Condition and Forecast of Future in The Context of General Economic and Labour Conditions; Recruitment, Induction and Training; Conditions of Work; Trade Unions; Industrial Relations; Incentive and Productivity; Social Security and Welfare; Summary of Conclusions; Appendices from I to III.

### RECOMMENDATIONS

#### Problems Of Development

1. Growth and development of Heavy Engineering Industries are essential for deepening and widening the economic base of the country in order to enable the industry to become self-reliant and growth self-sustaining.

2. While the general index of industrial production rose from 73.5 in 1951 to 194.2 in 1966, there was phenomenal growth in basic metals, finished steel, aluminium manufacturing and machinery; in the last case index rose from 45.2 to 532.5 during this period.

3. According to the Indian Labour Statistics, 1967, the contribution of large and medium scale engineering industries by production of goods was approximately 31 per cent of the value of goods produced by all industries.

4. The index of wages at constant price level, including money value of benefits and privileges rose, from 100 in 1951 to 147.4 in 1963.

5. The industry appears to have reached a water-shed due to recessionary tendencies in the economy. While capacity has been increasing at the rate of about 10 per cent, output has increased at the rate of only 4 per cent or less per annum and in some cases none at all during

the last four years. Utilisation of installed capacity has gone down from 90 per cent to 50 per cent and below in about 53 major industries.

6. Export of engineering goods to developing countries should receive much needed boost; the share of import has to be progressively reduced; it is possible to do so in a large measure by well planned diversification of major plants in existence and to be set up.

7. Industrial growth and development call for a high level of capital formation and investment which can be achieved through great human efforts and sacrifice; for harmonious and co-ordinated development of the economy the imbalances between rural and industrial labour should be progressively narrowed down; the industry is at present in the doldrums of recession; our immediate future wage policy for heavy engineering industry should take note of these facts.

### Recruitment, Induction And Training

8. 80 to 90 per cent of the workers employed in Heavy Engineering Industries are production and related workers; of whom majority are technicians of skilled and highly skilled categories.

9. The experience with the Employment Exchanges in regard to the supply of skilled manpower has not been satisfactory. They should be properly equipped and oriented. Only those should be registered for employment in a skilled trade who are found to conform to certain standards. A better liaison between the industry, the Exchanges and the I. T. Is is called for.

10. It should not be compulsory for an employer to recruit all the personnel through the Employment Exchange; the Exchange can win over the confidence of the industry only through the quality of its own service, which at present is rather below mark.

11. The Employment Exchanges should function on a national basis and should be under the Union Ministry of Labour.

12. The scheme of recruitment of trade apprentices needs reorientation. Each establishment should be given full freedom to vary the number of apprentices in different trades so as to first satisfy its own requirements of skilled men. The requirements must be assessed carefully on year to year basis and the authority in charge of the implementation of Apprentices Act should have powers to issue directives altering the number and ratios of apprentices to be taken by a unit.

13. Industry should offer opportunities to the men to improve their skills.

14. Sons and relations of employees generally get preference in recruitment to lower categories. In highly skilled and supervisory categories selection is based on competition on a national basis but certain amount of

preference is given to local candidates.

15. There is some shortage of trained and skilled technicians in certain trades mainly because those passing out of ITIs have not been found upto the mark. Most of the industries have their own schemes of training of the skilled personnel and there has been increased mobility in this category during the recent times.

16. Temporary employees normally get the same basic wage and dearness allowance as permanent employees, but the casual labour employed for casual work get much less. It is felt that as regards basic wages and dearness allowance, temporary and casual labour should be on par with permanent workers.

17. The cosmopolitan nature of the heavy engineering industries in the matter of employment should be allowed to grow as they constitute most vital centres of national integration. At the same time, through the constitution of high power selection committees, the justifiable aspirations of the local people for employment should be met.

18. It would not be in the interest of industry to impose any ban on contract labour being employed, but suitable safeguards in law should be provided for them in the matter of wages, provident fund and for regulating conditions of work, including provision of rest and holidays.

19. The Government should set up an agency to rehabilitate those who are physically handicapped as a result of an accident and who cannot be absorbed in their own firms.

20. It is essential to have a programme of induction for each category of workers.

21. Promotion to unskilled and semi-skilled posts should generally be on seniority alone; but merit, efficiency and ability to do the work should be the main criteria for promotion to skilled, technical and supervisory posts. There should be a formalised procedure of objective merit rating for promotion to higher positions in the hierarchy of supervision.

22. While it is a good moral booster if higher positions are filled in by recruitment from below, experience has shown that the vitality of an organisation is better maintained if fresh blood is injected in it at different levels periodically.

### Conditions Of Work

23. In the case of factories employing at least 250 or more workers, Government should have powers to ensure provision of an ambulance room if there are no satisfactory medical facilities available nearby.

24. Subsidised canteens are extremely popular with the workers. Canteen should be run either departmentally or through a co-operative of workers but not

on contract. Prices of food stuffs sold in the canteen should be fixed by Canteen Management Committee; in case of difference of opinion between the Committee and the Employer, the matter should be referred to the Chief Inspector of Factories or any other mutually agreed person whose decision should be final.

25. The criteria for providing creches should not be the number of women only, but it should be based on the number of children in the specified age group. A creche should be provided where there are 50 women workers or 25 children under the age of 6 years of such women.

26. The Welfare Officers appointed under Section 49 of the Factories Act are many a time saddled with responsibilities which are not envisaged in the Factories Act. In one State they function mainly as Industrial Relations and Personnel Officers. The institution of professional and industrial relations men has been firmly established in the country and it is no longer necessary to retain section 49 to provide compulsorily for such personnel. In any case, it should be ensured that the Officers appointed under this section function as an integral part of the management, subject to its control and discipline without looking to any outside authority for support.

27. There should be a full-time Safety Officer wherever 500 workers or more are ordinarily employed.

28. The three national holidays should be made compulsory.

29. The number of festival holidays and the quantum of casual leave should not be regulated by law.

### Trade Unions

30. Major shifts and unhealthy developments in the politics of the country have led to similar developments in the trade union field resulting in the erosion of the solidarity of the working class.

31. Urgent attention should be paid to the comprehensive amendment of the Trade Union Act which is inadequate to take care of the emergence of the forces which now impinge on the labour movement.

32. The Inter-union Code of Conduct has been observed more in breach than in observance.

33. In order to prevent the mushroom growth of unions, no union should be registered unless it has the support of at least 10 per cent of the work-force in a unit and 5 per cent of the work-force in an industry as the case may be, and at least 20 members should apply for forming a union instead of 7 per cent as at present. In case any of the existing unions is found to have a membership of less than 10 per cent in a unit and 5 per cent in an industry as the case may be, the registration should be cancelled.

34. Employers and Government should have no dealings with any faction or group in a union which is not recognised by the principal national organisation of employees to which it claims affiliation.

35. In case of independent unions, the Registrar of Trade Unions should have the powers to investigate the matter and give decisions which may be subject to one appeal only.

36. The policy recently adopted by the Government of Bihar for dealing with the question of Rival Trade Unions and their recognition is recommended for acceptance.

37. The minimum union membership fee should be raised from 25 Naye Paise to Rupee one per month.

38. A recognised union should be granted the privilege of check-off system.

### Industrial Relations

39. The Industrial Disputes Act should be amended suitably to make any strike or lockout without notice in Heavy Engineering Industries illegal, as the Code of Discipline has proved to be wholly ineffective.

40. Disputes of individual nature should be kept outside the scope of direct approach to the authorities under the Industrial Disputes Act.

41. Insertion of Section 2A in the Industrial Disputes Act has an adverse effect on the healthy growth of trade unions. It should be the endeavour of the State to encourage the emergence of strong and responsible trade unions and to discourage any attempt by the workers to by-pass a union.

42. Inter-union and intra-union rivalry has been one of the causes of industrial unrest in the country. The situation in this regard has become more complicated after the last General Elections.

43. Inter-union rivalry for getting recognition and intra-union rivalry for the executive positions in the union may be eliminated by adopting the policy recently formulated by the Government of Bihar on the recommendations of the State Labour Advisory Board.

44. Collective bargaining is the sine-qua-non of sound industrial relations; the Industrial Disputes Act should be suitably amended to ensure free collective bargaining. A bipartite agreement should have the same status as a tri-partite agreement in all respects.

45. Compulsory adjudication should be avoided. Only serving members of the judiciary should be appointed as industrial tribunals or on labour courts, and their selection should be left entirely to the Chief Justice of the High Court or the Supreme Court as the case may be.

46. It is recognised that for reasons beyond its control, industry may be required to render certain number of workers surplus from time to time. While



the industry should not be asked to carry the burden of surplus labour, it is necessary to take some concrete action to avoid and/or minimise the hardship to the workers so affected. A pool of surplus workers may be created who may be paid some unemployment benefit until they get jobs and who should get preference for employment in future vacancies, the pool being maintained State-wise with a national co-ordinating authority.

47. The State should make a clear distinction between a disorder arising out of an industrial dispute and for other reasons such as communal disturbances, regional disturbances, etc., in which case the State should intervene actively to restore normal conditions.

48. Absenteeism is a malaise and every effort should be made to control it.

#### **Incentive And Productivity**

49. Substantial improvement in productivity is necessary if the economy is to become self-balancing.

50. A sustained improvement in earnings can only come if wage increases are linked to increases in productivity. Increased profits arising from increased productivity should be shared with employees as well as with investors and customers.

51. Prices of our heavy engineering goods are not competitive in the world market. It is in no less measure due to lack of productivity and the consequent low utilisation of capital equipment.

52. Most of the best plants are operating at 30 per cent to 40 per cent of the target efficiency on a single shift.

53. Only about 10 per cent of the existing establishments have proper incentive schemes. Employers should

be asked to introduce sound incentive scheme as early as possible. There should be full consultation with the union in working out any scheme of incentive.

54. In an economy depending primarily on agriculture, all attempts to push industrial wages faster than national per capita real income are self-defeating and inflationary since they ultimately end up by raising prices by that much margin.

55. The National Productivity Council can play a vital role in carrying the message of productivity to the employers and employees.

#### **Social Security And Welfare**

56. The Employees' State Insurance Scheme should be extended to cover the entire working population including temporary workers.

57. A suitable Pension Scheme should be introduced in addition to the Provident Fund Scheme the additional financial burden being shared between employers and workers.

58. In almost every unit there are schemes of retiring gratuity payment.

59. The housing of employees should receive due attention of Government.

60. The State should pay special attention towards discharging its responsibility in relation to the education of the children of workers engaged heavy engineering industries.

61. Employers should provide physical facilities for fair-price shops and consumers' co-operative stores and the State should ensure maintenance of regular supplies to them.

62. In fixing a fair wage, consideration should be given to the cost incurred on fringe benefits.

## **NATIONAL COMMISSION ON LABOUR, COMMITTEE TO STUDY THE WORKING AND SERVICE CONDITIONS OF SWEEPERS AND SCAVENGERS, 1967—REPORT**

Delhi, Manager of Publications, 1969. 154p.

Chairman : Dr. Bhanuprasad Pandya.  
Members : Shri K.L. Balmiki; Shri N.S. Kajrolkar;  
Shri Bhola Rout; Prof. N.R. Malkani;  
Shri Dev Raj; Shri O.K. Moorthy.  
Secretary : Shri K.A. Sheth.

#### **APPOINTMENT**

The National Commission on Labour constituted the Committee to Study the Working and Service Conditions of Sweepers and Scavengers Vide its Memo-

## TERMS OF REFERENCE

(a) To ascertain facts from available literature on the subject;

(b) To draw conclusions and suggest solutions to the problems posed by the Committee including the practical steps to be taken to improve the living and working conditions of Sweeper and Scavengers;

(c) To study, in particular, the material already collected by :

(i) The Barve Committee set up by the Maharashtra Government in 1949;

(ii) The Malkani Committee set up by the Central Board for Harijan Welfare in 1957;

(iii) The Social Welfare Team headed by Smt. Renuka Ray set up by the Planning Commission in 1958; and

(iv) The Special Working Group on Co-operation for Backward Classes set up by the Ministry of Home Affairs in 1961; and review the action to implement the recommendations made.

The Committee was also requested to consider the suggestions made during the discussion on the Lok Sabha starred question No. 935 regarding conditions of Service of Scavengers.

## CONTENTS

Preface; Introduction; General Observations; Pay and Allowances; Weekly Off, Leave and Holidays; Hours of Work and the Allied Matters; Recruitment and Employment; Uniforms and Protective Clothing; Social Security; Industrial Relations and Trade Unionism; Housing; Welfare Facilities; Welfare Through Prohibition; Health Survey; Education; Indebtedness; Custodial Rights; Improvement in Working Conditions; Administration and Finance; Conclusion; Summary of Recommendations; Appendices from I to XII; Note of Dissent,

## RECOMMENDATIONS

### General Observations

As the recommendations of various committees have no statutory force, the implementation thereof by various employing authorities is not uniform and generally poor. The Committee, therefore, strongly recommend that the Central Government should undertake a comprehensive legislation for regulating their working, service and living conditions which should also provide for adequate inspectorate and enforcement machinery. There should also be a saving clause in the legislation providing that those sweepers and scavengers who are enjoying better service conditions

shall not be adversely affected. That legislation should be made applicable, in the first instance, to all local bodies, big and small, including village panchayats. It should also provide that any or all of the provisions of that law can be made applicable by notification, to any individual or establishment employing sweepers and scavengers.

### Pay And Allowances

The State Governments/Union Territories should take immediate steps for enforcing as a minimum the same scales of pay and dearness allowances for sweepers and scavengers as are applicable to their Class IV employees (such as full time peons) irrespective of the fact whether they are employed by any type of local body, big or small, including Village Panchayats.

The Central legislation proposed by us should provide that notwithstanding anything contained in any other law for the time being in force, no sweeper or scavenger employed by a local body should be paid less than the pay and allowances which are payable to Class IV servants (like full-time peon) of the State Government or the Union Territory in which the local body is situated. The law should also provide for the extension of this provision, by notification, to any other establishment or individual employing sweepers and scavengers.

Recommendation No. 3 is with regard to the minimum scales of pay and allowances. The fair standard of pay and allowances for sweepers and scavengers on account of filthy nature of their work, disagreeableness of the task and the health hazards involved in the work should be higher than the pay and allowances of Class IV government employees. A Statutory Central Wage Board should be set up for the purpose of fixation of fair standard of pay and allowances for sweepers and scavengers after taking all the relevant factors into consideration.

The legislation should also provide that the decision of Wage Board, can by notification, be made applicable to any other establishment or individual employing sweepers and scavengers.

The employment of part-time sweepers and scavengers, save with the express permission in writing of the prescribed authority, should be prohibited by law.

Local bodies should entrust the supervision of distribution of pay to sweepers and scavengers to responsible officers and the provision of Payment of Wages Act, 1936 should be made applicable to the employers of sweepers and scavengers.

### Weekly Off, Leave And Holidays

A full weekly rest day is an absolute must, and can in no way be replaced by any partial half holidays or monetary compensation in lieu. The local bodies may

stagger the weekly rest day for different employees but ensure that every sweeper or scavenger gets regular weekly rest day after every six days of work.

Public holidays that are given to Class IV employees of the State Governments/Union Territory concerned or compensatory holidays or compensation in lieu should be allowed to all sweepers and scavengers.

Every sweeper and scavenger in the employ of the local body should be allowed the various kinds of leave which are allowed to the Class IV employees of the State Government/Union Territory in which the local body is situated.

The maternity leave should be granted in accordance with the Maternity Benefits Act, 1961.

The above recommendation should be suitably incorporated in the legislation.

### Hours Of Work And The Related Matters

It is essential to follow some yardstick for assignment of duties and areas of work to sweepers and scavengers and fixation of strength of staff according to the nature of job to be done. A fair work load should be fixed for a normal working day for all types of duties after taking all the relevant factors into consideration. The State Governments should take steps to assess the prevailing conditions in their technical officers and after due consideration of the difficulties of workers, lay down definite standard of work to be done by the various categories of sweepers and scavengers.

The normal hours of work for sweepers and scavengers should not be more than seven hours per day of which not more than four hours could be devoted to scavenging.

Those who perform only scavenging work, that is the removal and handling of nightsoil, the normal hours of work should not exceed five.

Those who do only sweeping work their normal hours of work should not exceed seven.

The roll call should not be taken more than twice—once in the morning and once in the afternoon, preferably on the working site so that time on going to and coming from work is saved as also the supervision of the work will be more effective.

Where the work is taken in one session, every worker should have an interval of rest at least for half an hour after a continuous period of work for five hours.

No overtime work should be taken from the sweepers and scavengers except with the express permission in writing from the prescribed authority. When such overtime work is taken the workman concerned should be paid at double the ordinary rate of his pay including allowances.

The above recommendations should be suitably incorporated in the legislation.

### Recruitment And Employment

Recruitment must be strictly regulated by having a better and fool-proof arrangement and maintenance of detailed records of seniority of substitute workers, registration of candidates and the issue of call letters and appointment orders. As soon as an application is received, it should be entered with full particulars and address in the register maintained for the purpose and the applicant informed about his registration number in the waiting list. Call letters and appointment orders should not be sent through peons or jamadars but by registered post. An officer of appropriate status should look after the recruitment of sweepers and scavengers and he should ensure that no malpractices are involved in the process.

The system of giving preference to the member of the family of the deceased, disabled or retired worker on compassionate ground, as mutually agreed, is in vogue in most local bodies. We do not think that there is any necessity to disturb this arrangement.

Rules should be framed for the confirmation of employees and the procedure for disciplinary action and they should be duly enforced. Alternatively, the provisions of Industrial Employment (Standing Orders) Act, 1946 should be made applicable to all employers of sweepers and scavengers.

The posts of jamadars, peons, drivers, nakawala, octroi chowkidar, etc., should be filled in from among the sweepers and scavengers by promotion, if they are otherwise qualified for the post.

Preference should be given to the educated members of the family of the sweepers and scavengers while filling up the various vacancies under the local body, if they are qualified for the posts and otherwise found fit.

The local bodies and the Central and State Governments must always apply themselves to the larger task of ameliorating the conditions of sweepers and scavengers and help to lift them from their existing drudgery. With a view to free them from the compelling circumstances of undertaking these occupations, we strongly recommend that the Central and State Governments and Local bodies should provide liberal facilities to the children of sweepers and scavengers for education and training for different jobs to enable them to take full advantage of recruitment to positions reserved for Scheduled Castes and the sweepers and scavengers should be given first preference.

Those who are more enterprising and intend to start their own business or industry, should be provided with adequate loan and other facilities under the various schemes of the Government.

At present the loans and other facilities extended to the sweepers and scavengers are restricted to pig-rearing, hen-rearing, coir rope-making, etc. Instead they should be encouraged for other gainful occupations, trade and industries such as small-scale industries, contracts on railways, public motor transport, etc., through co-operative efforts and with Government aid.

Employment of children as sweepers and scavengers should be prohibited in municipal or private service.

The normal age of retirement should be 60 years.

The above Recommendation should be incorporated in rules or in separate legislation if necessary. Such rules and laws should also require that full and accurate record of service of sweepers and scavengers should be maintained in the form of Service Book.

The local bodies should not discourage the employment of women on the ground that their employment involves greater liabilities in the shape of maternity benefits etc.

### Uniforms And Protective Clothing

Looking to the dirty nature of work of sweepers and scavengers, the provision of proper clothing which they can utilise while on work is a necessity rather than an amenity.

At least three sets of cotton uniforms per year should be given to all sweepers and scavengers. The uniform for males should consist of a pant, half-sleeved shirt and a cap or head gear. The uniforms for females should consist of a sari, blouse and petticoat. Where the local customs vary in the type of clothing used, that should be taken into consideration and three sets of such uniform should be given. In some States local bodies give short pants for work. When sweepers and scavengers accept them as more suitable, four short pants instead of three pants should be given. So also when women find shalwars more suitable for work, 4 shalwars instead of 3 sarees should be given. Adequate quantity of soap for washing the uniforms should invariably be given.

The texture, colour, etc., of the uniforms should be decided in consultation with sweepers and scavengers.

The sweepers should be provided with one pair of chappals every year.

The scavengers and other workers who have to handle night soil should be provided with one pair of ankle high rubber shoes every year.

For protection against cold every sweeper and scavengers should be provided with one pair of woollen clothing every alternate year.

For protection against rain, they should be given one plastic raincoat and cap every year.

In hilly areas, where the cold climate persists for more than six months, it is recommended that one set

of cotton uniform and two sets of wollen uniform consisting of a full pant, one full-sleeved bush shirt one cap and a pair of shoes should be provided every year.

The use of uniforms, when not on duty, is not proper. The uniforms are meant for use during the working hours. Thereafter, they should be changed and washed. When they are not on duty, they should use their own clothings so that the dust and the dirt that might have accumulated on uniforms while on work, do not impair their health.

The above Recommendations should be suitably incorporated in the legislation.

### Social Security

Practices which are violative of rules governing provident fund accounts should be strictly dealt with by the State Governments.

The Employees should be supplied their statements of provident fund accounts regularly.

The provisions of the Employees' Provident Funds Act, 1952 should be made applicable to the sweepers and scavengers employed by the local bodies.

In addition to the Contributory Provident Fund Scheme, a Gratuity Scheme providing half month's pay (including dearness allowance) for every completed year of service, not exceeding fifteen months' pay (including dearness allowance) should be introduced for the sweepers and scavengers.

Option should be given to the sweepers and scavengers concerned to opt either for (i) Contributory Provident Fund and Gratuity or (ii) Pension and Death-cum-Retirement Gratuity.

The provisions of Maternity Benefits Act, 1961 should be made applicable to sweepers and scavengers employed by local bodies.

The provisions of Workmen's Compensation Act 1923 should be made applicable to sweepers and scavengers.

The provisions of Employees' State Insurance Act, 1948 should be made applicable to the sweepers and scavengers employed by the local bodies.

Till the provisions of the Employees' State Insurance Act, 1948 are made applicable to the sweepers, and scavengers, the local bodies should provide free medical facilities to them and their family members.

Suitable provision may be made in the legislation to make the schemes and legislations referred to in above recommendation applicable to sweepers and scavengers.

### Industrial Relations And Trade Unionism

The local bodies and sweepers and scavengers should resort only to peaceful methods for the settlement of their disputes. Both the parties should develop

harmonious relations.

It is very essential that the parties implement the settlements and awards in their true spirit.

The Industrial Relations Machinery of the State should be made available to the parties for the peaceful settlement of their disputes and grievances.

Trade Unions of sweepers and scavengers should conduct their activities in a responsible and constructive manner.

The sweepers and scavengers should beware of the trade union leaders who exploit them for their personal or political ends. This is all the more necessary on account of the ignorance and backwardness of this section of the society.

### Housing

Of all other factors, housing is the most important one which affects the living conditions of sweepers and scavengers.

The Government should ensure that the permanent sweepers and scavengers are given plots of land free of charge and an advance of 36 months' basic pay to one adult member of the family is given for the construction of house.

It is of primary importance that the housing conditions of sweepers and scavengers are radically improved.

The shortcomings that might have come in the way of implementation of various schemes should be removed. Various schemes should be co-ordinated and adequate housing accommodation with essential amenities should be provided to all sweepers and scavengers.

The sweepers and scavengers should be made eligible for allotment of houses built under the Subsidised Industrial Housing Scheme and every tenth quarter should be reserved for them.

Likewise reservation for sweepers and scavengers may be made in all low income group housing schemes and co-operative housing schemes assisted by Government. Adequate amount of subsidy should be given to the sweepers and scavengers so that the same can be utilised towards their share in such schemes.

The Sweepers' Housing Scheme should be combined with the Low Income Group Housing Scheme and the houses constructed by the local bodies under such combined scheme should be passed over to their sweepers and scavengers on a hire-purchase basis.

Wherever the financial conditions of the local bodies permit, they may advance 36 months' salary to be recovered in suitable instalments for the purchase or construction of residential house.

One room tenements are neither adequate nor desir-

able. The sweepers and scavengers are usually having large families and very often more than one married couple with children are occupying the same tenement. From the view-point of moral hygiene, every tenement must have at least two living rooms, a kitchen, a bathroom, sanitary type of latrine, built-up cup-board, a slightly raised platform for fire-place with a hood and chimney over it and a hollow underneath where the sweeper or the scavenger can store fuel, verandah and watersupply. Wherever available, the electricity must also be provided. The Committee recommend that the above minimum standards should be kept in view while planning housing schemes for sweepers and scavengers.

### Welfare Facilities

The provision of creches should be made compulsory in respect of those local bodies who employ 50 or more women sweepers and scavengers. It should be incorporated suitably in the legislation we have proposed for sweepers and scavengers. The details of the type of construction, the number and qualification of the staff, the food and other amenities to be provided in the creches, the number of creches, etc., should be prescribed under the rules under the proposed legislation.

It should be made obligatory for local bodies employing 500 or more sweepers and scavengers to establish community centres for the use of these workers and their family members. Likewise, community centres must also be provided in all new colonies of sweepers and scavengers.

The community centre should provide for various recreational, cultural, and educational facilities for men, women and children and should have properly qualified staff. This should be suitably incorporated in the legislation proposed by us and the rules to be framed thereunder.

The Government and local bodies should come forward with all possible help and assistance to encourage the voluntary efforts of the sweepers and scavengers and their organisation to undertake various social, education and welfare activities for sweepers and scavengers and their family members.

The appointment of a suitably qualified Labour Welfare Officer should be made obligatory for local bodies employing 500 or more sweepers and scavengers.

The attitude of officers of the local bodies should be more courteous towards sweepers and scavengers. Their names should be recorded more decently and the persons engaged in sweeping and scavenging should be designated as Safai-Sevaks or Safai-Sevikas or by similar dignified terms.

The State Governments should nominate one member from amongst the sweepers and scavengers on

the local body. If necessary, the State Municipal law should be suitably amended to provide for this, as such a nominated member on the local body can play very important role in persuading the local body to undertake the welfare measures for the sweepers and scavengers.

### Welfare Through Prohibition

The State, Local Bodies, Trade Unions and Social Institutions should carry out vigorous anti-drink propaganda in the localities inhabited by sweepers and scavengers.

The licences to open liquor shop should not be given for opening such shops within half a mile of sweepers' and scavengers' residential localities. Instead, shops where soft drinks and snacks are available should be opened in the neighbourhood of their colonies.

Whether there is statutory prohibition or not in the particular State, under the service regulations, consumption of intoxicating drinks, while on duty or otherwise, should be prohibited and this rule should be strictly enforced.

### Health Survey

A detailed and relatively prolonged survey of all illnesses among the sweepers and scavengers coupled with environmental surveys should be carried out at different centres under the guidance of the All India Institute of Hygiene and Public Health by the Ministry of Health, Government of India.

It should be made compulsory for the local bodies to arrange for the medical examination of all their sweepers and scavengers at least once every year. This should be suitably provided in the legislation.

### Education

At least two residential schools—one for boys and one for girls—on the lines of such schools for the children of tribal people should be opened in each State with cent per cent grant for the children of sweepers and scavengers.

In those States, where the number of scholarships to the children belonging to Scheduled Caste-Scheduled Tribes are limited, the first preference should be given to the children of sweepers and scavengers for such scholarships.

Special facilities should be given to the children of sweepers and scavengers to prosecute their technical and professional education so that they can enter other gainful employments, on the completion of their studies.

All concerned should make much more vigorous attempts for the spread of social education among the sweepers and scavengers. The Central Board of

Workers' Education should extend its activities to sweepers and scavengers.

### Indebtedness

The local authorities, trade unions and social institutions should take advantage of the laws relating to the regulation of money lending and the allied matters and afford protection and assistance to sweepers and scavengers.

Social education can play an effective role in reducing the causes of indebtedness.

The legislation for redemption and reconciliation of debts incurred by sweepers and scavengers as suggested by the special Working Group on Co-operation for Backward Classes should be formulated at the earliest.

Pending legislation, social institutions, etc., should attempt settlement on a voluntary basis.

As any measure for the reconciliation of the debt without-providing alternative agency for credit cannot succeed, it is further recommended that Co-operative Credit and Consumers' Societies should be formed for the benefit of sweepers and scavengers. The Government on its own or through Co-operative banks should arrange to give loans to members of such societies for enabling them to purchase shares and loans towards working capital to the tune of 20 times the amount of the paid-up share capital as in Gujarat. The municipalities should deduct the instalment fixed by the society from the pay and allowances of the sweepers and scavengers and remit it to the society so that the society can repay the loan to the Government or the Bank.

Much more vigorous action should be taken for emancipating the sweepers and scavengers from indebtedness.

It should be made obligatory for all local bodies employing 20 or more sweepers and scavengers to establish the Co-operative Credit Society and the Co-operative Consumers' Store. In case of smaller societies, educated sweeper scavenger or an educated member of its family should be employed as part-time Secretary to manage the affairs of such societies.

### Customary Rights

The problem of abolition of customary rights should be solved with a humanitarian approach and wherever the workers could be persuaded by municipalities with the assistance of their social workers to give up the customary work after deciding due compensation, all adult members of the affected families should be employed by the local bodies. It should be by way of a programme of rehabilitation of these affected families.

### Improvements In Working Conditions

There has been too much emphasis on the use of

and administrative staff of the municipal bodies to make them conscious of the problems and motivate them for their solution.

In municipalities employing 500 or more sweepers, the labour welfare officer, and in municipalities employing lesser number of sweepers, officer like Chief Sanitary Inspector may be given the specific duties of looking after all questions relating to these workers' service and working conditions and to ensure that instructions received from higher authorities are carried out. Chief Sanitary Inspector, entrusted with such duties may be sent for short training course of Social Welfare Organisers.

There should at least be an officer at the State-level working in the Health Department or the Local Self-Government Department and maintaining full liaison with both. It would be his duty to look after all measures for legislation, policy formulation and issue of directions to the local bodies as also to mobilise necessary government support to help the local bodies in the implementation of the various proposals and recommendations.

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The spheres of various ministries of the Government of India should have relation to the different aspects of tasks for the amelioration of the conditions of sweepers and scavengers. These tasks relate to (a) living conditions and welfare of this class of workers (b) the working conditions involving their daily occupation and operation regarding removal, collections and disposal of nightsoil and city refuse and (c) their service conditions including their pay and allowances, questions of hours of work, leave, etc. The work connected with living conditions and general welfare rightly belong to the Social Welfare Department in the Centre and Departments of Harijan and general social welfare in the States. The working conditions are essentially a matter of public health and sanitation and should be dealt with by the Ministry of Health, Family Planning and Urban Development at the Centre and all programmes relating to the operations connected with the handling of nightsoil and city refuse should be dealt with in that Ministry. The questions of minimum wage, pay and allowances, etc., belong to the Ministry of Labour, Employment and Rehabilitation at the Centre and Departments of Labour in the States. The Municipal bodies, however, come under the purview of the municipal administration or Urban Development Departments in the State Governments and the Health Ministry at the Centre. While, therefore, broader question of pay and allowances of sweepers and scavengers as an occupation and class of labour will have to be the concern of the department of labour both in the Centre and in the States, all questions in his regard will require to be dealt with through the

Ministry of Health and the Local Self-Government Departments in the States, which should be the channels for ensuring the implementation of pay scales and allowances and other benefits laid down for being carried out by the urban local bodies.

There is need of some coordination regarding all matters relating to the guidance and assistance that is to be given to local bodies for improving the service conditions as well as the working and living conditions of sweepers and scavengers. In view of the specific constitutional responsibility about the welfare of the Scheduled Castes and Scheduled Tribes an officer in the Social Welfare Department should have the exclusive responsibility of over-seeing the whole range of problems connected with the service, working and living conditions of sweepers and scavengers and should act as a liaison officer with the other Ministries to ensure proper coordination of these activities. The officer in the Social Welfare Department should be fully equipped with all information and the State Governments and Local Bodies should be notified for approaching him for any guidance and assistance.

Every local body should constitute a special ad hoc committee to constantly review the conditions of sweepers and scavengers and the action taken on the various recommendations made in this regard from time to time. Such a committee may include some prominent social workers as well as an official of the State Government.

The States and Union Government, at their own levels, should also have similar standing committees to consider field reports and advise the Government about steps to be taken to ensure speedy improvement in the living and working conditions of this class of employees.

The Central and State Governments should assist the local bodies financially in implementing the recommendations of this Committee. The local bodies should draw up a phased programme for giving effect the recommendations of this Committee along with their financial implications.

It should be obligatory for every local body to make specific provision in its annual budget for programmes of welfare, uplift and improvement of living and working conditions of the sweepers and scavengers employed by them and the State Governments should provide a matching contribution in support of these schemes undertaken by the local bodies.

In all the schemes and programmes of the State Governments as well as the Centre, in respect of housing, social education and programmes of general welfare and welfare of the backward classes, funds should be earmarked to be utilised specifically for the improvement of conditions of sweepers and scavengers to be

spent through the urban local bodies in accordance with the pattern of assistance laid down for each programme.

The urban local bodies should take all necessary steps to exploit their resources, and the State Governments through the use of their statutory powers and pattern of grants should persuade the local bodies to take necessary action in the matter. Where the Government is satisfied that a particular local body has made the proper use of its powers of taxation and exploitation of its resources and that they cannot meet the costs of obligations for the implementation of the recommendations of this Committee in spite of the efforts made by them, the Central as well as the State Govern-

ments should come forward to assist the local bodies financially through special grants. The Government should make a specific provision for the purpose as an essential part of Government's programme to ameliorate the working, service and living conditions of sweepers and scavengers.

In addition, there should be exclusive and adequate allocation of funds in the Five Year Plans of the Ministry of Health, Family Planning and Urban Development for mechanisation of transport of night soil and city refuse as well as for the conversion of service privies and dry latrines into flush-out latrines both in sewered and non-sewered areas.

## **NATIONAL COMMISSION ON LABOUR, THE STUDY GROUP ON INDUSTRIAL RELATIONS (WESTERN REGION), 1967—REPORT**

Delhi, Manager of Publications, 1968. 45p.

**Chairman :** Dr. K.S. Basu.

**Members :** Shri K.J. Divatia ; Shri N.S. Deshpande;  
Shri Homi Daji ; Shri L.C. Joshi ;  
Dr. Paresh M. Majumdar.

**Secretary :** Shri S.R. Mohan Das.

### **APPOINTMENT**

The Study Group on Industrial Relations (Western Region) was constituted under the National Commission on Labour vide their Notification No. 3 (29)/67-NCL dated June 16, 1967.

### **TERMS OF REFERENCE**

There were no formal terms of reference laid down for the Study Group.

### **CONTENTS**

Introduction; Reports of Interviews; Report of the Study Group; Organisational Factors in Industrial Relations; Issues of Industrial Relations; Systems and Procedures in Industrial Relations; Note on the Question of Recognition of Union by Shri N.S. Deshpande.

### **RECOMMENDATIONS**

#### **Organisational Factors In Industrial Relations**

The Office of the Registrar of Trade Unions should cease to be combined with that of the Commissioner of Labour. A separate Department of Registrar of Trade Unions has been recommended to be set up. There should be an audit branch, advisory service for trade unions, a research unit and a workers' education branch. The Registrar should be empowered to suspend the registration of a union in addition to his powers of cancellation; he should also be able to refuse registration to a Union with less than 100 members, or 10 per cent of the eligible membership whichever was less.

Officers of trade unions should be drawn from those actually engaged or employed in the industry or occupation with which the union is connected. It should be made an offence for them not to carry out their duties and obligations.

A person should generally be a member of only one trade union and the minimum age for union membership should be reduced to the school leaving age.

Membership figures of unions should be audited.



The 'check off' system should be introduced if the union and the members desire it.

Release by employers of office bearers for full time union work should be encouraged.

The organisational factors industrial relations, viz., unions and industrial relations divisions of managements must become stronger, self-reliant and more effective. Indian Trade Unions Act of 1926 should be amended.

#### Issues Of Industrial Relations

The continued weakness of labour and management organizations can be arrested only if the main 'business' of industrial relations, viz., the treatment of the issues, goes back to the unions and managements themselves primarily.

Employers could be encouraged to provide better standards for their labour force, if after conceding in principle the right of disciplinary action, the right of fair contest is given to workers in a bi-partite relationship instead of through the Statutes where the contest becomes distorted and bitter.

#### Systems And Procedures In Industrial Relations

The amendment of the Trade Unions Act of 1926 in the areas suggested will represent an improvement in the present systems and procedures. The suggestions to separate the Registrar of Trade Unions' office from the Labour Commissioners' office made in Ceylon is worthy of consideration in Indian conditions as well. Union subscription should be raised to a minimum of Re. one per month. Serious consideration should be given to the problem of outsiders (honorary members) in unions, taking the pros and cons. While doing so, it may be remembered that the dominant leadership role of non-worker outsiders in unions is relevant only in the context of the present situation of statutory predominance in the treatment of issues.

As part and parcel of devising the rules of the game for collective bargaining, representative unionism as the sole collective bargaining agent has to be provided for. The instrument of sole bargaining will be the representative union of the choice of workers freely and consciously made.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR FERTILIZER INDUSTRY, 1967—REPORT

Delhi, Manager of Publications, 1968. 62p.

Convenor : Shri M.K.K. Nair.

Members : Shri B.L. Wadhwa ; Shri P.C. Jain ; Shri  
R.N. Sharma ; Shri G. Sundaram ; Shri  
R. Chakravarty.

Member-

Secretary : Shri B.L. Shelke.

#### APPOINTMENT

The National Commission on Labour constituted the Study Group for Fertilizer Industry in its attempt to understand the changes in condition of labour in that Industry since Independence Vide its Notification No. 3 (13) 67-NCL dated June 21, 1967.

#### TERMS OF REFERENCE

To analyse available information and project its thinking on labour problems in the fertilizer industry for the years to come taking into account the possible

developments in the industry.

#### CONTENTS

Foreword; Introductory; Employment; Promotion; Wages and Incentive Payments; Conditions of Work; Amenities : (i) Industrial Health Scheme; (ii) Family Pension Scheme; (iii) Gratuity Scheme; (iv) Provident Fund; (v) Employee's State Insurance Scheme; (vi) Canteen; (vii) Uniform and Footwear; (viii) Housing; (ix) Educational Facilities; (x) Transport; (xi) Co-operative Stores and Fair Price Shops; (xii) Recreation; Industrial Relations and Labour Laws; Annexures from A to E.

#### RECOMMENDATIONS

1. It would be appropriate for the Study Group to confine its deliberations within the scope of the Commission's enquiry which is mainly to "review

#### COMMITTEES AND COMMISSIONS

changes in the conditions of the labour since Independence and to make recommendations, inter alia, on the levels of workers' earnings, standard of living, social security, labour legislation and existing arrangements for labour intelligence and research etc." and further concretised in the questionnaire issued by the Commission. In view of the comprehensive nature of this enquiry, the National Commission on Labour felt that there was a great need for tapping the expertise available within the country on labour problems and different industries on the various aspects of the Commission's terms of reference and hence decided to set up various Study Groups on different subject and on different industries. The National Commission expects the Study Group to draw upon the relevant materials on the whole area of the Commission's enquiry in the concerned industry and project their thinking on labour problems in the industry in the years to come.

2. The Nitrogenous Fertilizer Industry in India was started in 1947 when a 10,000 tons unit went into production in Kerala. Thereafter a 90,000 tons Nitrogenous Unit was started in Sindri and commissioned in 1952.

3. For a number of years thereafter, no other Nitrogenous Fertilizer Unit went into production. In the 3rd Plan period, a unit at Nangal and another one at Rourkela in the public sector went into production. The unit at Udyogamandal in Kerala was also expanded during this period. The capacity at the beginning of the Third Plan was not substantial. At the end of the Third Plan period, it reached about 2,25,000 tons of Nitrogen. A number of plants were conceived during the Third Plan. Some of them have gone into production during the last two years. Some more are due to go into production in the coming years. A dynamic policy in regard to the fertilizer industry was introduced only in early 1966. As a result, a number of large-sized units using the most advanced technology are being set up. While the earlier units had a capacity ranging from 70,000 tons to 1,20,000 tons, the minimum capacity of the new plants will be 1,60,000 tons, there being a very drastic change in the technology applied. As a result, problems relating to operation and maintenance of the new plants that are being set up are going to be very complex compared to the problems that the industry has been facing so far in the smaller plants. For example, the Nitrogen Plant at Sindri has a number of streams for Ammonia Production based on the conventional technology applied in the past. If one stream goes off, production is not completely stopped as there are other streams available. But in the new plants that are being set up at places like Cochin, Durgapur, Barauni and so forth, there will be only one single stream for a capacity of 600 tons or 1,000 tons a day,

The success of such units depends upon the ability of the personnel in charge of operation and maintenance to maintain the plants in continuous production as any stoppage would mean complete stoppage of production. The recruitment and training of the personnel who will be in charge of operation and maintenance of these highly sophisticated plants therefore call for a new approach than we have been accustomed to in the past.

4. In the phosphatic field however, we have a large number of single superphosphate plants. They are small in capacity compared to the large nitrogenous plants. The technology involved is simple and the economics of production are more dependant on the materials used than on the personnel employed. The present policy of the Government of India is not in favour of encouraging the establishment of single superphosphate plants. No new single superphosphate plant will therefore get established. Attention is therefore required to look after the existing ones as they can carry on for a long time with proper maintenance.

5. Phosphatic fertilizer requirements in the future will be found by the manufacture of compound fertilizers like Ammonium Phosphate, Nitrophosphate and Di-ammonium Phosphate. Straight phosphatic fertilizers like Triple Superphosphate are also contemplated. All these involve sophisticated plants very nearly comparable to nitrogenous fertilizer plants. These plants usually form part of a single complex producing nitrogenous and phosphatic fertilizers in different forms.

6. While the investment on a single superphosphate factory is in the order of 50 to 60 lacs of rupees, the total investment required for the large-sized plants now under construction and those that are projected range between Rs. 45 crores and Rs. 60 crores. The pattern and quality of management as well as the qualifications, training and dispositions of operation and maintenance personnel in the large-sized modern plants are thus naturally different from what is required for small single superphosphate plants.

7. In dealing with the problems of the fertilizer industry, we have therefore to keep the already growing pattern of the industry rather than the influence of the problems that might have arisen in the small single superphosphate factories.

8. Of the new factories that are coming up all over India, there will be at least one large-sized factory or more in every State. The raw materials used are common to almost all these factories. The technology employed as well as the products that come out will also be similar. The basic approach to this industry therefore seems to call for a certain amount of uniformity not only in regard to management policies but

also in regard to the policies in the field to industrial relations, administration, administration of labour legislation and provision of amenities.

9. A list of factories in production as well as those under construction together with their installed capacity and end products are given in Annexure 'A' and a statement of capital investment together with the profit and loss position a. some of the fertilizer units is enclosed as Annexure 'B'.

10. The fertilizer plants employ highly sophisticated technology. They use dangerous raw materials like Naphta. Gases involved in the process are dangerous ones like Carbon Monoxide, Sulphur Dioxide, Ammonia, Hydrogen, Oxygen etc. There are great risks involved as the processes are under high pressures and temperatures. The entire plant can be paralysed by the stoppage of work in certain critical sections, like for instance the centrifugal compressor in the Ammonia Plant.

11. Fertilizer is the most important agricultural input. Shortfall in production of fertilizer has to be made good by imports which involve wastage of foreign exchange earnings. From the national economic as well as the basic agricultural production economics point of view, fertilizer plays a very vital role. Maintenance of continuous production is therefore an important need of this industry. More so because the farmer's prices have to be kept as low as possible. Taking all these factors into account, it is necessary to ensure.

(i) That the highly sophisticated and complex plants and machinery are safe.

(ii) That there is safety for the lives of the people who work in the factory, and

(iii) That the services like water supply, electricity etc., provided to the employees residing in the attached townships are uninterrupted.

12. The investment in the fertilizer industry by 1970/71 will be of the order of Rs. 750 crores. This is bound to go upto Rs. 1,500 crores by 1975/76. While the industry has been given the freedom to fix their own prices in the hope that competition will take care of the situation, it is needless to emphasize that the objective must be to ensure that the farmer gets his fertilizer at the cheapest possible price. That would be possible only under conditions of full and uninterrupted production as well as conditions of reasonable incidence of cost on account of wages and salaries.

13. All these stress the need for a uniform Central approach to the fertilizer industry instead of leaving it to the various State Governments as is the practice at present. The important thing is to bring the fertilizer industry under the Central Government in respect of disputes arising under the Industrial Disputes Act by

declaring the Central Government as the appropriate Government for the fertilizer industry as a whole. It would also be necessary to notify the Chemical Fertilizer Industry as Public Utility Service by a Central legislation rather than leaving it to the States.

### Employment

14. The Chemical Fertilizer plants are very sophisticated and highly technical requiring highly skilled and semi-skilled personnel to man them. The processes in the industry being highly mechanised/automated involving specialised scientific knowledge, only properly trained personnel can be put on the job in a fertilizer complex. Majority of the persons employed in the Chemical Fertilizer plants are educated persons. Those with the background of Science (such as Physics, Chemistry and Mathematics) are preferred for employment on process and maintenance work. The Chemical Fertilizer industry as such is a recent growth and there is general dearth of technical personnel in this industry also. In huge fertilizer factories at the construction stage, a number of unskilled workers get employed without much screening or assessment of their capabilities. When the factory goes into production, these personnel get appointed on a regular basis on job for which they may not be equipped. This has been inevitable in the past more on account of local political considerations than anything else. Such persons in course of time become qualified to do the job only in a particular section with which they have been associated. Because of their lack of academic qualification, their theoretical knowledge is practically 'nil' and on this count they can neither be given any higher assignment nor shifted to any other section of the plant. Such persons on a stagnated pay or grade become the root of industrial discontentment and unrest. It becomes therefore imperative that the persons to be engaged in a fertilizer complex should be adequately educated having proper academic background and should have basic training in fertilizer manufacturing processes.

15. Just like any other category of technical personnel, there is a general dearth of well trained operators and technicians for employment in a fertilizer unit. With quick and extensive growth of chemical fertilizer units all over the country, the need for such trained and experienced hands will be all the more. Commensurate with the pace with which fertilizer factories will be established in the country, the training programme to equip these factories with technical personnel to man them should also be properly planned. The existing vocational guidance and technical training schemes in the form of ITI etc. have been found to be inadequate to provide suitable personnel to man the fertilizer units. This general dearth of trained and

experienced personnel has necessitated the organization and conduct of systematic training courses by the various fertilizer units themselves. Whenever new units are started, they attract trained and experienced personnel from the older units leaving gaps to be filled up by new trained persons. To overcome these difficulties, most of the larger units in the fertilizer industry have started their own training centres as a part of their establishments. The FCI Ltd. which is the largest public sector organization in fertilizer industry has a Central Training Organization at Sindri where there is a regular programme of training Trade Apprentices from amongst the young students between the age group of 17 to 20 who have passed the Matriculation or High School examination, Chargemen Trainees amongst Science Graduates, and Graduate Apprentices from amongst the Engineering and Graduates to man various positions at different levels. Each unit of FCI is also establishing its own training centre. Similar training facilities are provided by FACT, Gujarat State Fertilizer Co., etc. The processes in the fertilizer industry being highly mechanised/automated involving specialised scientific knowledge, no person who is not properly trained could be put on a job in a fertilizer complex. In other words, the system of "on-the-job training" can be encouraged in a fertilized unit only after a person has had adequate basic training. It is imperative to give initial training before putting a person on the job. To keep the scientific and technological knowledge of the personnel up-to-date and well groomed, there is a need to have further refresher course and in-plant training (training in the industry) in all well organised public and private sector undertakings. There should be well organised training facilities and yearly programmes should be fixed, fixing the number of persons to be trained in the lower categories so that the needs of the industry would be met well in time. This would help fill the gap created by the new units drawing upon the experienced and already trained personnel from the already established units.

16. The real objective of training is to produce more efficient people in the organization. Therefore, the workers who are selected for training should be those who are willing and able to learn and those who are going to benefit from the training activities. The trainee should have a high degree of intelligence, motivation, administrative ability and sense of cooperation with fellow workmen. Thus the employment problem in the fertilizer industry is more difficult compared to many other industries in our country. The training programmes of a unit must therefore take care of (i) training of direct recruits, (ii) in-plant training as well as theoretical training to enable the existing personnel to

develop themselves for higher positions and responsibilities on the basis of their passing the prescribed tests and (iii) opportunities for the training of personnel rendered surplus due to obsolescence of processes of plant so that the surplus can be properly rehabilitated. The rapid development of technology in the fertilizers industry has necessitated well planned training facilities for workers to be employed in the industry.

17. In the context of the need for training of workers for their suitability in an industry, the deliberations of the Study Group on Management in the Draft Fourth Plan under the auspices of the Government of India are worth noting. On workers' education, the said Study Group has observed as follows :

"... As far as the education and training of workers was concerned, it was felt that there was a need to increase their skills particularly in the various trades. Skilled workmen in industry come either by promotion from the unskilled levels or by recruitment of workmen who have acquired these skills before employment. It was felt that all large units should provide training opportunities for workmen who have ambition to improve their skills in order to be able to earn promotion. But for the large number of relatively small companies where such facilities are not likely to be provided, it was felt that conveniently located training centres to give training in various trades was a necessity. Such centres should be well equipped. They should provide pre-employment training during the day working hours for those who wish to equip themselves with such training before entering industry. They should also provide training facilities for unskilled workmen who are employed in industry and who would like to utilise their spare time in order to improve their skills. At the level of workers also, it was felt that any attempt to improve their general education would improve their capacity to imbibe training and therefore would reinforce any specific training effort that is undertaken for them. It was considered desirable to elicit the cooperation of universities for this purpose.

When new machines or rationalisation is introduced, it is very important for existing workmen to be trained for the purpose and thus avoid redundancy. Also, retraining programmes should be organized to avoid redundancy arising out of new methods. This problem of redundancy could further be avoided by careful perspective planning of new techniques to be introduced in an enterprise and careful designing in advance of the type and content of training that would be necessary to match the skills of employees to the new methods and techniques.

It was also suggested that particularly in the public sector, worker participation in management should be

facilitated by arranging suitable worker education.

18. The following would be the normal period of training required for the personnel with certain academic background :

- (i) S.S.L.C. or equivalent : 3 years' training for posts of Artisans, Fitters, Welders, Electricians and Mechanics.
- (ii) ITI trained boys : 2 years' training
- (iii) Graduates in Physics and Chemistry : 18 months' training to make them qualified as Operators, Instrument Craftsman and Laboratory personnel.
- (iv) Diploma in Engineering Chemical, Mechanical, Electrical Civil, Automobile etc. : 18 months' training to hold supervisory positions like Chargemen, Chargehand, Assistant Foremen etc.
- (v) Engineers (University Degree) : 9 months' training in basic affairs and 15 months' on-the-job observations during which period they are made Designers, Construction Engineers, Operation Engineers, Maintenance Engineers etc.

#### Training in Personnel Management

19. The smooth flow of industrial relations in an industrial establishment is influenced to a great extent by the competency and imagination with which the Personnel Department handles the problems that arise day to day. The Personnel Management has therefore become a specialised profession. The importance of Personnel Management has not been recognised to the extent necessary in the past. There is no doubt a growing realization on the part of employers that Personnel Managers should be found from amongst persons who have the requisite training and experience. Considering the nature of the problems in fertilizers industry and taking into account the weakness in the Personnel Management functions in several undertakings, it is felt that special attention should be given for getting persons who man the Personnel Department trained for their tasks through the facilities provided by the various institutions of Personnel Management.

#### Promotion

20. Combined with the problem of recruitment of trained workers is the question of promotional avenues for workers and proper manning of supervisory posi-

tions in this industry. With the starting of new fertilizer factories, the aspirations of trained and experienced personnel to secure higher posts in new undertakings have naturally risen. But the raw workers who are initially recruited without proper training cannot be put in responsible positions unless they are eminently suited for such jobs; at the same time their legitimate claims cannot also be ignored. A via media can be found out by which a certain percentage of higher posts can be set apart for promotion from the lower ranks and the rest of them filled by direct outside recruitment from among persons having the highest job requirements possible. This would envisage adequate opportunities for training and promotion on the basis of appropriate and satisfactory tests which should satisfy the minimum requirements of the job. Up to the level of Foreman, the posts should be filled up by internal promotion as far as possible from the lower cadres so that even at supervisory level persons who hold such positions should be able to know all the techniques and have a through practical experience of all the processes. However, as there is also a necessity to usher in fresh blood coming from the various institutions who have secured general knowledge of the various technologies involved in fertilizer production, a certain percentage of posts of supervisory categories would have to be kept open for well qualified technical personnel by direct recruitment.

21. For giving promotions, a well-laid procedure should be evolved which would give adequate scope to meritorious persons especially in the supervisory cadre of Foreman and above. Though emphasis for promotion should be more on the merit, seniority has also to be given due consideration. Where promotions are to be based mainly on merit, a proper well-laid merit-rating system for periodical assessment of merits and job performance needs to be evolved. The merit should cover, in addition to know-how and the actual job performance, the ability to supervise and good leadership. These things do not depend merely on seniority. In some organisations, a system of monthly or quarterly merit-rating system of all the persons on the job is introduced so that there is a regular procedure of assessment of a worker's capabilities. In order to assess suitability for promotion, proper assessment tests and merit rating should be done and criteria for such merit rating and tests should be laid down in consultation with the worker's representatives or their unions.

22. The turn-over of labour in this industry which is growing has not been very alarming though the tendency to seek better employment and jobs of higher status with the experience gained in earlier units is quite natural. This may perhaps be due to the fact that

the worker finds more opportunities for his betterment in the same undertaking where he has started. Most of the employees are taken on regular jobs and very few are employed as contractors' labour. Except in the sections like bagging and material handling where work is deemed to be of an intermittent nature, contract labour is not employed in this industry, and majority of workers in the industry belong either to skilled or semiskilled category.

### Wages And Incentive Payments

23. The question of wages is common to all industries and there is no peculiar problem in this respect which needs any special attention of this Study Group besides what the Wage Board established for this industry by the Central Government is doing. The guiding principles of wage determination can however be briefly laid down as follows :

- (i) Equal pay for equal work in a given undertaking.
- (ii) Attracting good, intelligent and desirable employees by paying wages equal to or above the average rates for similar services in a given locality.
- (iii) Payment of higher wages for specialised occupation.
- (iv) Avoiding to pay excessive rates of wages.
- (v) By means of good wage structure, qualified workers within each occupation should be encouraged to advance to higher groups of work as opportunities occur.
- (vi) Individual worker should be compensated according to his merit.

24. Wage determination should mainly be based on three main factors viz., (i) Job description, (ii) Job evaluation and (iii) Policy determination.

25. A statement of wage structure in some units in the Fertilizer industry is attached at Annexure 'C'.

26. The information received from the major fertilizer producers of U.S.A. and U.K. indicates that the total wages including the fringe benefits granted to the employees amounts to a percentage of 9.5 to 9.9 of the gross sales value of the products. It would be a reasonable norm for adoption in the fertilizer industry in the country if it is laid down that the total wages and benefits payable to the workers and charged to the manufacturing costs of the products should be of the order of 10 per cent of gross sales value in respect of modern large-sized fertilizer plants.

27. The question of Incentive Payment needs however a special attention. The Fertilizer Industry is so much wedded to agricultural products which ultimately means sufficient food for everybody, that the sufficiency in food would largely depend on sufficiency in fertilizers. Hence more and more incentive to produce more and more fertilizers. In the present developing economy of

our country, the need to produce more of everything need not be re-emphasized. So also the need to produce more fertilizers. The workers, therefore, must be encouraged and induced to give more and more production. This is generally achieved in various industries by means of incentive schemes. In many fertilizer units, such schemes have been successfully introduced. The two-fold advantages, namely, more wages to the workers and more production for the country and the consumers are obvious.

28. The requirements and actual production of fertilizers during the year 1966-67 were as under :

	Requirement	Production
Nitrogenous fertilizers	1,000,000	308,000 tonnes 'N'
Phosphatic fertilizers	370,000	144,893 tonnes of 'P2O5'

29. Unlike the engineering industry, production in a fertilizer industry which is based on continuous process is dependant on the joint efforts of a number of groups of persons. Personnel employed directly on production and maintenance as well as those employed in raw materials movements as well as handling of finished products contribute jointly towards attaining targets of production. Incentive Schemes can therefore be conceived in a fertilizer industry only on the basis of grouping of total performance and not on the basis of individual performance. The saleable product is the end-product. Assessment of production for the purposes of prescribing norms and incentive slabs should be the end-product and not any intermediary stage of production like Ammonia, Sulphuric acid or Phosphoric acid.

30. The next important thing to be kept in mind is the timing of the decision to introduce an incentive scheme. Once a worker starts getting the benefit of an incentive scheme, he gets accustomed to the additional income based on which he replans his way of life and living. If due to circumstances beyond the control of the management, production has to be curtailed, resulting in the withdrawal of the incentive wages, an imbalance in the worker's life will set in resulting in continuous spirit of discontentment and industrial disputes. This must be avoided at all costs. This can be done if the workers' representatives and the management sit together to decide upon the most appropriate time to start such a scheme. They should take into account the major factors which affect production and should get satisfied that these factors are not likely to be changed over a long period of time. In other words, if there are uncertainties of getting adequate flow of raw materials or power on regular basis in future, it will not be desirable to introduce an incentive scheme. There should be reasonable assurance of availability of raw materials, power and other

facilities before any incentive scheme is introduced. While incentive schemes are very necessary and vital to get good productivity and thereby profitability to the management and increased earnings to the workers, introduction of such schemes should be done only after satisfying oneself of the continued availability of the major factors that affect production. At any rate, the area of introduction should not be on the basis of individuals but only on total factory basis. Incentive schemes should be fool-proof lest they become the bone of contention and sow the seeds of discontent. An incentive scheme should be based on the ultimate product. For instance, if the rated capacity of a fertilizer plant is 100,000 tons and if the incentive scheme is applied for production of 80 to 85 per cent of the rated capacity, this target can be achieved only if the supply of Ammonia is adequate. The Ammonia produced by the sister plant required for achieving the target may not reach the subsequent process in full quantity. A certain percentage is wasted through leakage etc., due to defective operation. Since the revenue accrues only from the ultimate end and saleable product, it would be inappropriate to provide incentive scheme based on individual groupings or plants producing intermediate products.

31. There have been instances where in a particular undertaking where an incentive scheme was introduced the workers started availing it to the fullest extent. Within a short time the Company had sufficient stocks of products for sale, but the orders were not forthcoming. The company had to withdraw the scheme and curtail the production. The workers there upon faced a reduction in their regular earnings which resulted in an unrest. In order to avoid such contingencies, it is always prudent to negotiate with the workers' representatives any such scheme which vitally affects them and chalk out a programme of gradually stepping up the production through the incentive scheme so that the management can also get ample time to explore the new avenues for marketing the products thus produced. The incentive schemes should find place in a stable and expanding state of industry and must be encouraged as a means to improve productivity of a unit as also improvement of workers' earnings through such efforts. The question of coverage of workers under the scheme has to be properly thought out. If coverage is not full in any unit but is restricted only to direct production workers, it sets off a chain reaction amongst others in left out categories or departments where they either begin to non-cooperate or act in a manner prejudicial to the production efficiencies. The following extracts from the replies given by the Indian Chemical Manufacturers' Association to the Central Wage Board set up for Heavy Chemicals and Fertilizer

Industry would be worth noting as an expertise opinion on the subject of incentive payment scheme.

".....The overall objective of any incentive scheme should be to improve production-cum-productivity of the unit as a whole. The basic idea for a limited coverage in any given unit could well be explained by the need to remove a bottleneck in any given area or section of the integrated operations, or else, it would result in the relative line of production being held up due to this bottleneck. To the extent that these schemes perform this function and thus keep the overall operations at the desired level of production-cum-productivity, they have a significant role to play. It will therefore, be clear that in such areas there is a possibility of the wage levels including incentives moving higher than in any other areas of the same unit where no such incentives apply. It is observed that occasionally this mere fact of restricted incentive practice becomes a matter of dispute with the other workers who do not enjoy the benefits of incentive payments. Of late, the organized workers' groups do insist as a matter of collective bargaining, on introduction of overall incentive schemes, which generally tend to increase the earnings of the workers. The Fourth Five Year Plan has definitely indicated in the Chapter on Labour Policy that the wage packet must be composed of three components, namely, basic wage, dearness allowance and incentive allowance based on production-cum-productivity achievements....."

32. A list of some of the factories which have introduced Incentive Scheme is attached at Annexure 'L'.

#### Conditions Of Work

33. Organizations of labour have sprung out of hardships of the working class in the working conditions of an industry. The hardships of industrial workers relate to many matters such as: (i) bad working conditions, (ii) too long working hours, (iii) inadequate wage, (iv) absence of essential amenities such as drinking water, urinals, dining hall etc. There have been now statutory provisions to take care of all these factors and the factory life of a worker has ceased to be as hazardous as it used to be a quarter of a century ago. Still, the working conditions in a chemical or chemical fertilizer factory need to be maintained with special attention to the health of the workers working in such factories.

34. The working conditions in this industry have necessarily to be congenial to the health of the workers and they should be devoid of health hazards. Workers in a chemical fertilizer plant are always open to risk and hazards of health where there is a constant exposure to dust in phosphatic plants and gases emanating from acids and products like ammonia, sulphuric

acid etc. In chemical plants, the conditions of work require adequate safety precautions. Therefore, minimum conditions of safety must be satisfied before a plant is commissioned. In fact, it would not be too much to expect that no new factories in the chemical industry in general and fertilizer industry in particular should be allowed to be opened or commissioned unless the authorities concerned are all satisfied fully about the safety measures adopted and proper conditions of work from the point of view of elimination of health hazards are assured and made available.

35. Causes of accidents could be attributed to several factors such as unsafe physical conditions, unsafe acts, anxieties arising out of conditions of living etc., which in turn result because of improperly guarded machines, defective machines, hazardous arrangements and procedures, lack of sufficient skill or knowledge, wrong attitude towards job requirement and personal safety. A large number of accidents can be avoided by taking good precautions against fire and earmarking "no smoking" areas, good house-keeping, proper working clothes, personal protective equipments etc. A work place generally can be made safer by training a worker in safety measures. Safety education should be imparted through posters, films, slides, talks, exhibitions etc.

36. In a chemical factory like the Chemical Fertilizer, the need to give due regard to health and work of the personnel engaged in the chemical processes is all the more and it is primarily the responsibility of the management to initially make the work place as safe as possible from occupational hazards. In one of the draft resolutions of the WHO/ILO Conference on Industrial and Occupational Health in South East Asian Region, held in Calcutta in 1958, it has been stated that management and supervisors should be given some orientation towards occupational health.

37. While a worker can protect himself by overcoming weakness within him by means of proper education and training, he should also be made free from other hazards outside him. He has to be guarded from occupational hazards arising out of chemicals like poisonous acids, alkalis, solvents, poisonous dusts and fumes etc. The environmental hygiene which is involved in such hazards has to be of the best standard in a chemical factory. Timely detection and location of hazards to health and safety in any part of the factory and controlling them is the best and the safest way of ensuring industrial safety. The usual control measures would consist of replacing a dangerous material or method by harmless or less dangerous, totally enclosing a dangerous process so that the workers may not be exposed to it, removing away from the breathing level of workers, poisonous dusts, fumes, gases etc., by

means of suitable type of an exhaust system, isolating a dangerous process so that as small a number of workers as possible may be exposed to the danger, etc.

38. The Industrial Committee on Chemical Industry in its session held in March 1966 also dwelt upon the subject of health precautions, toxic exposures in chemical industry and measures for protecting the health of workers engaged in the manufacture and use of hazardous intermediates. Some of the recommendations of this Committee are as follows :

(i) Joint Committee on Industrial Safety and Hygiene should be set at the unit level to deal with matters relating to safety and health of the workers.

(ii) There is a need to promote safety consciousness and to organise a suitable educational programme for the purpose.

(iii) A Code on Safety and Health suited to the Indian conditions on the pattern of the Hand Book on Safety brought out by the British Chemical Manufacturers' Association might be evolved.

(iv) Appointment of Medical Inspectors and Chemical Inspectors of Factories to supervise and ensure compliance with safety provisions in chemical factories and giving them laboratory facilities for carrying out analytical work.

(v) Complete information about the hazards, protective equipment and the emergency medical treatment that might be necessary should be compiled and translated into regional languages for being made available to the workers for their guidance.

(vi) In cases of installation of new plants, complete information regarding the possible effect on safety and health of the operatives of the new processes should be obtained beforehand so that these are taken into account during the designing and installation of the plant.

(vii) Efforts should be made to manufacture simple indigenous protective equipment within the country. Where suitable indigenous material was not available, assistance should be given to import-equipment essential for protecting the workers.

39. All these apply with equal force to Chemical Fertilizer Industry.

40. Another aspect relating to working conditions which needs mention here is in regard to working hours.

The majority of the workers in this industry are working on continuous processes. Therefore, there is a three shift rota system prevailing in this industry. Since continuous and prolonged working in night shifts is apparently unhealthy from the workers' point of view, it is more hazardous to get exposed to unnatural atmosphere full of gases, acids, dusts and fumes over a long number of hours in night shifts. It is therefore,



necessary to give workers change of shifts especially in night shifts with short periods. A weekly change-over of shifts would therefore, be ideal in the present set-up.

41. A statement of conditions of work and fringe benefits obtaining in some units in the Fertilizer industry is attached at Annexure 'E'.

#### Amenities

42. It has been seen above that the conditions of work in a phosphatic fertilizer industry have to be very much congenial from the health and safety point of the workers, working in this industry. Looking to the nature of work and exposure to occupational hazards in this industry, welfare measures and amenities for the workers need to be provided on a much bigger scale so as to make the worker work with a free mind and with a feeling of oneness with the management. This envisages planning of welfare schemes not only for himself but also for his dependants.

43. **Industrial Health Scheme :** Management's special responsibilities for the amelioration of workers and their dependant in an industry where there is a continuous hazard to life or work in the form of poisonous gases, acids, dusts, fumes etc., cannot be denied. A well-equipped Industrial Health Scheme, not only for fertilizer industry but for other chemical industries, petro chemical industry, oil refining industry for treatment of occupational diseases is very important from the industry's point of view. The existence of such a scheme on a large scale would not deter employment seekers from taking up jobs in such industries. The needs of the worker are of two types—one is the needs of the body like food, shelter and clothing and the other is that of human feelings like a sense of security, a sense of belonging, the need of recognition and respect for self. Both these needs of the worker must be fulfilled. The social and economic uplift of our country is sought through industrialization. But side by side with the growth of industries, the regard for human values, the respect for the health of the workers is also important. As one author has put it, "his welfare depends on training him to use self-help and hard work as water and manure to prepare a fertile soil for his seeds of growth to thrive and to control his seeds of decay. . . Such a training is given through planned programme of industrial health and safety. This is considered as a constructive welfare of a very high order. It helps employees to increase their earning capacity, shows managements better ways of getting the best out of the labour of men, leads trade unions towards their goal of improving the living standard of the labouring class and ensures

progress of industry... "Just as every factory has necessarily its maintenance department to repair breakdown of machines, tools, equipment and buildings and for their prevention by oiling of machines as necessary and by making periodic checks to detect in time coming breakdown through wear and tear, it should have an Industrial Health Scheme to preserve the health of its workers. In-plant health service is necessary to prevent break-down of human health in the industry. The activities of our industrial Health Scheme are many-sided. It should aim at "improving the well-being of the well rather than of curing disease through patch-work repair." Such activities consist of medical aid, environmental hygiene to create a climate of work which will not easily ruffle anybody's feelings and research activities.

44. **Family Pension Scheme :** This industry being one using quite explosive materials, there is always risk of life or major accidents involved and the employee should have a feeling that in such probable contingencies, his family is secured and they will not be thrown in the streets and the management's assistance to certain extent is assured. Family Pension Schemes go a long way to bring such a feeling of security and sense of belonging to the worker and he would be prepared to undertake any risk in the interest of work and better production. Such a scheme which ensures a worker's dependents a regular pension in the event of his untimely death while in service or due to accidents will boost the morale of the workers. Unfortunately, not many undertakings in the industry have adopted this welfare measure. This may be due to financial incapacity of the company or shortsightedness on the part of the management. But, security to oneself and one's family being the prime consideration in a man's life, a good social security scheme like this for the employees would certainly pay good dividend in the long run in the form of continued production which is the need of the day.

45. **Gratuity Scheme :** Many concerns have framed Gratuity Schemes voluntarily or through adjudicators' awards. This again is another social security scheme, much needed to reward a loyal worker who has served an employer over long years of service. The trend of adjudicators now-a-days is to recognise the service of ten to fifteen years and above for eligibility to Gratuity in the event of a worker resigning his job. Such a Scheme ensures a long loyal service of an experienced and trained workers which ultimately helps good production.

46. **Provident Fund :** The Employee's Provident Fund Act makes it compulsory to introduce contributory Provident Fund Scheme for the workers and it is needless to stress its importance now. This is one of

the major social security schemes provided for factory workers in the early post-Independence period.

47. **Employees' State Insurance Scheme :** This replaces the Workmen's Compensation Act in the area where the Scheme is introduced. The Scheme has its many advantages over the Workmen's Compensation Act. It covers not only accidents but gives sickness benefits not only to workers but to their family members also to some extent in some places. The Scheme also covers even family pension scheme in case of death of an employee while in service. For a nominal charge by way of monthly contribution, an employee is insured against accident, sickness, death etc. The employer is also charged quite substantially for insurance of his employee under this Scheme.

48. With the best of its intentions and beneficial provisions, the Employees' State Insurance Scheme has not been as popular as it was intended to be. The reasons for its unpopularity with the employees is the delays caused in securing the benefits and lack of personal attention and absence of social-service sense on the part of many of those in charge of its implementation including the panel doctors. There are instances where employees of certain undertakings have declined to be covered under the Employees' State Insurance Scheme. Along with the uses, the Scheme is also abused in many respects. The ESI Scheme was originally introduced primarily for the benefit of workers for whom a systematic medical scheme was not available and despite the hazardous occupations carried out by them they could not get proper medical attention nor could they afford to spend money required for medical treatment. Like any other industry, the fertilizer industry is also affected by the abuses of the Scheme like absenteeism due to 'so-called sickness' etc. The percentage of absenteeism in some of the fertilizer units during the year 1965 is given below :

1. FACT Alwaye	13.4%
2. EID-PARRY	
(i) Tadepalli	133.0%
(ii) Ranipet	15.0%
3. Alembic Chemicals	6.0%
4. FCI (Trombay)	8.0%
5. DCM Chemicals	11.5%
6. Aural Products, Bulsar	11.8%

The effects of sudden absence of a good number of continuous process workers in a fertilizer plant are well known. It results in the earlier shift worker working overtime with overstrain and in that state even the slightest negligence would cause considerable damage to the workers' health and safety, and also loss of production. The benefits available under ESI Act do not offer any preventive treatment or measures. In a

chemical fertilizer industry, what is most needed is a Scheme which would offer neat practical medical help to the employees. Many of the Fertilizer Units of a large size are having their own medical benefit rules which give employees substantial medical treatment and reimbursement of the costs of specialised medical consultation and treatment.

49. It is therefore necessary that Government should be liberal in granting exemption to such of the factories which have adequate medical facilities made available to their workers. Some of the Fertilizer Units have got well equipped hospitals for their employees and some of them would set up new hospitals if Government granted exemption from ESI Act. On the other hand, Government should encourage building up individual medical facilities independently. A scheme to offer practical medical assistance including preventive remedy would improve the general standard of life of workers, reduce absenteeism, and it will also reduce obstacles in the normal operation of plants and will give more satisfaction to the worker and his family because he will have a direct say in the service that he gets. The Government can have control over the functioning of the in-plant health schemes and a Committee to supervise the administration of the scheme with the Director-General of Health Services and Central Labour Commissioner as its members can be appointed. The ESI was conceived to meet the needs of workers belonging to small or middle-sized industries or factories which are scattered and could not afford to set up such health insurance schemes of their own. The ESI Scheme was not intended for large-sized factories like those in the Fertilizer industry and even after their coverage, the scheme would cover only those who are in certain pay ranges and emoluments. There would still be a large number of persons in higher pay ranges who would not be covered by the Scheme. For such persons, the fertilizer units would continue to spend money on medical benefits. Even the definition of the emoluments under the ESI Scheme is such that its coverage would some-times vary from month to month with the result that a person who is covered by the ESI Scheme in one month may not be covered in the next month or another month on account of increased wage earnings due to overtime wages etc. in the particular month. For all these reasons the coverage under ESI Act should be more flexible so that the benefits accruing to the workers under the Scheme are uniform and un-interrupted.

50. The Study Group is of the opinion that the ESI should be taken out of the State Government's control and directly administered by the Corporation through its own cadre of Medical Officers.

51. **Canteen :** Providing a suitable canteen for

factories has become a statutory obligation under the Factories Act. It is a much needed primary facility to be provided to workers in a complex fertilizer plant. Wholesome food is the essential requirement of a manual worker. The canteen should be so run that it is able to serve at least one balanced diet to the workers. There are divergent views on how to run the canteen—whether departmentally or through a contractor. This has to be left to the best judgement of the individual management. There are concerns which run their canteens through their workers' cooperatives. This should be ideal way of service for it is the only way where it can be managed by the workers and for the workers. All that is needed in such schemes is "service before self". The stuff to be served in an industrial canteen should be significant and it should be seen that a balanced diet with a minimum specified standard is provided at a minimum price so that even the lowest paid worker in a canteen should afford to have a balanced diet which is a real insurance against any under-nourishment and disease arising therefrom. For this purpose, subsidised food is very essential. The importance of a well-run canteen in a chemical plant like the fertilizer complex is much more.

52. **Uniforms And Footwear :** Many of the nitrogenous and phosphatic fertilizer factories are in the forefront in providing uniforms and footwear to most of its technical personnel who have to work in dust, fumes, gases and acidic conditions. These provisions are besides the protective clothing that is required to be given statutorily and as safety precautions. Normally, three sets of uniforms, consisting of bush-shirt and pant, along with a pair of shoes or hunter-boots annually, would be quite an adequate provision for a worker. In some cases, gum-boots are also provided when certain workers have to work in damp, moist and slurry conditions.

53. **Housing :** Many of the fertilizer units which are established in far and remote places have made adequate provisions for housing of their employees. Especially in public sector undertakings which constitute the major number of fertilizer projects, managements have provided housing facilities to as much as 70 to 80 per cent of their employees. The houses have been constructed of different types according to the pay ranges of employees. In fact, this is one of the major attractions for employment in a public sector undertaking in this industry especially in and around big cities like Bombay, Madras etc. Provision of housing near the place of work should increase efficiency in work. Much of the workers' time, money and energy is saved which can be utilised for more concentration on his work which is conducive to higher production.

All these, however, have been done at great cost, which is reflected in the prices of the fertilizer products. In a civilised community, provision of housing accommodation is a part of infra-structure, which is generally provided out of public finances. As the locations of most of the fertilizer industry are away from developed townships, the investors have been compelled to spend substantial sums of money for building townships to accommodate their employees. It is time that this approach towards construction of townships is changed. It is no doubt necessary that there should be adequate housing for industrial workers and managers, but such houses should form part of an organization or institution different from the manufacturing unit. This can be achieved with Government cooperation by introducing a system on the following lines:

(a) Any enterprise—be it in the public or private sector—which has proposed to set up township for its employees, prepares a detailed project and submits it to the appropriate Government for approval.

(b) Once the scheme is approved by Government, a township authority is constituted and the money required for the construction of the township made available to it in the form of a long-term loan at a low rate of interest, say 4 to 4 and half per cent per annum by Government through institutions like LIC or, for that matter, a Housing Finance Corporation which has to be started for this purpose by Government.

(c) If this is done, the township administration will function as an independent organization responsible for the construction and maintenance of the township, collection of rent, remittance of interest and return of principal in due course of time. The total amount invested on the township will not be then a burden on the manufacturing unit and getting reflected in the ultimate price of the product. This will also help the units which have already spent large sums of money for building townships to show better performance in terms of financial returns.

54. **Educational Facilities :** Though education is again a State subject, minimum educational facilities suited to the area must be provided by the management and for these organizations which would be having more than one unit under their control, considering the fact that a number of their people are transferable to anywhere in India in the interest of the industry, it is necessary that there should be at least one School following the Central Government School system. This again could form part of the township if the principle mentioned in para (53) above is accepted. This is because in some units, the skill required and available for the operation and maintenance of fertilizer industry would be interchangeable and trained and skilled

workers of fertilizer units will find a better and advanced future only in another fertilizer factory. With the growing need for more and more chemical fertilizer factories, the worker and his family will have to move from unit to unit in localities and regions having different linguistic complexion. Hence the need for provision of at least one school with uniform educational facilities for the children of such workers who are selected on an All-India basis. This measure will free a worker from the worries of schooling of his children due to change of place.

**55. Transport :** Some of the units in this industry have made adequate provisions by providing transport at subsidised rates for their workers from their homes to the place of work. But in a big fertilizer complex, the magnitude of this problem is bigger, because to serve a large number of workers, a big fleet of buses has to be maintained by the management which again becomes a specialised job by itself. Units which are adequately served by public transport need not have any subsidised transport and the management should undertake such facility till such time as public transport facilities are available. The necessity of such facilities would arise in the case of projects which are in a remote place. These facilities are looked upon by the employees as a compulsory provision notwithstanding the fact that with the growth of the area, better transport facilities are provided by the Government or the Municipal authorities. Many of the public sector undertakings in this industry have a scheme of giving bicycle advances to their employees which provides an easy and very economical mode of transport for short distance between five to one mile of distance of work place. Workers will have to be encouraged to co-operate with management to save such infructuous expenditure.

**56. Cooperative Stores And Fair Price Shops :** Establishment of Workers' Cooperative Stores and Fair Price Shops is another area which would bring good relief to a low-paid and middle income group of workers in the present high cost of living and rising prices. Most of the fertilizer factories are having these facilities and managements have been encouraging them without any reservations. As far as possible, all such schemes which are meant for the workers should be allowed to be run by the workers themselves with proper supervision and minimum control by the management. At the same time, it should be emphasized that the management should show a positive interest in the development of this facility. Assistance in the nature of loans, recoveries of dues through pay-rolls on easy instalments and so forth, in addition to the provision of accommodation, electricity and other requirements of the Cooperative Society and Stores should be a normal

feature in any enterprise.

**57. Recreation :** After a hard day's work with full 8 hours of toil a worker needs to give rest and relaxation to a tired mind and body. Welfare Centres and Workers' Recreation Clubs do well to serve this purpose. Quite a few of the fertilizer factories which have got their own workers' townships near about their work places have been provided with welfare centres and recreation clubs for their workers. Indoor and outdoor games are organized by these clubs and recreation centres. They also run libraries for the educational and cultural advancement of the workers. These are the fundamental needs to keep body and mind of a man in good trim. At these centres, film shows on different topics can be arranged to educate workers on various subjects. Annual sports, festivals and excursions can be arranged through such organizations and timely diversion of mind from the routine work which otherwise would tend to be monotonous, can be achieved. Such welfare activities have a creative value of bringing in refreshing mind and soul which would ultimately increase efficiency and productivity. The management should therefore pay a special attention for providing adequate facilities in this regard.

#### Industrial Relations And Labour Laws

**58.** The two basic factors on which our present labour laws in the country are based are (i) working conditions of workers and (ii) human relations. The laws like the Factories Act, Workmen's Compensation Act, Boiler and Smoke Nuisances Act, Employees' State Insurance Act, Mines Act, Minimum Wages Act and the like aim at creating good working conditions for labour. The acts like the Industrial Disputes Act, Indian Trade Unions Act, Industrial Employment (Standing Orders) Act etc. govern the relationship between employer and employees. The statutory provisions have undergone changes according to the needs of the time and the experience gained so far. Though there is no denying the fact that many of these regulations have stood the test of time, industrial disputes have not abated since the passing of the various Acts. Just as the illegal strikes have not disappeared, improper discharge and dismissal of employees have also not stopped.

**59.** Most important is that the definitions of "worker", "workmen", "employees" in various Acts not being common, the coverage of employees under these laws is not uniform. It is therefore necessary that for the purposes of all labour laws, there should be uniformity in the definitions of employees or workmen in different Acts. Again, one subject is dealt with in different ways in more than one legislation. For example, the question of payment of wages, periodicity

actions even in fertilizer industry. The real remedy however lay in quick and expeditious settlement of disputes. Referring disputes to conciliation or adjudication is a time-consuming job due to inadequate number of officers and the procedural bottlenecks involved. So far it has satisfied neither the employer nor the employee. The system of voluntary arbitration would in our opinion be the best for settlement of disputes on a long-term basis. An arbitrator should be a mutually agreeable person enjoying the confidence of both parties.

65. Multiplicity of trade unions has always been a hindrance to industrial peace in the fertilizer industry as in any other industry. The principle of one union in one undertaking or establishment should be recognised by law as is done in the Bombay Industrial Relations Act and also embodied in the Code of Discipline in Industry adopted by the Indian Labour Conference. There should be one majority union for all collective bargaining. The method of ascertaining the majority union should be specified. Individual grievances could be dealt with by concerned trade unions according to the Grievance Procedure laid down by each undertaking and provided for in the Code of Discipline in Industry. Names of some of the trade unions together with their membership and affiliations operating in certain units in this industry are shown in Annexure 'C'.

66. The employer-employee relationship is very wide and complex in nature. At times, the interests of both tend to go at cross-roads and yet the objective is common. There is a conflict and harmony in the relationship. Sometimes the expectations and aspirations of workers run counter to those of the employer. High wages to workers may reduce profits or cause even losses. Longer hours of work may give higher output to the employer, but it may harm the health and social well-being of the worker. On the other hand, safe and healthy working conditions are beneficial for both. Proper care and upkeep of the plant and machinery are an advantage to both. Adequate facilities for training of workers yield higher and better output and also better wages. Mr. David A. Morse, Director General of the International Labour Organization, in the conclusion of his report to the 45th Session of the International Labour Conference, has made the following observation on the objective of the industrial relations.

"In the first place, the worker as an individual must be a fully respected dignity and personality and be allowed to develop his sense of responsibility, for a man is not truly a man who is bereft of responsibility. A satisfactory labour relations system is one which furthers respect for fundamental human rights; the

freedom of labour, the freedom of assembly and association, the opportunity to work, non-discrimination, free choice of work and fair and satisfying conditions of work.

As far as collective relations are concerned, the aim should be not only to provide an orderly means of resolving conflicts between workers and employers, but also of harmonising their interest in the broader community of which they are members. For these purposes, labour must be given its proper place in contemporary society; and workers' organisations should be associated in the solution of problems concerning all workers. The requirements of economic progress must be recognised, and some method must be found for workers to cooperate with employers in improving production methods, raising productivity and distributing its benefits equally".

67. The constructive approach to avoiding industrial conflict is to try and resolve the issues in dispute before they lead to actual conflict. The establishment and operation of such constructive processes for settling differences between employers and workmen is an important part of industrial relations.

68. Sound employee-employer relationship can be built upon proper education of workers and employers—not only of their rights, but duties too. The Government of India's Workers' Education Schemes implemented through the Central Board for Workers' Education are doing a good job in this field. The Scheme trains worker-teachers in various fields of labour problems, including labour legislation, and after completion of a three months' course, these worker-teachers drawn from various industrial establishments go back to their units and open workers' classes at the unit level and teach the workers what they have learnt. These classes, if properly organised, would go a long way to create a better atmosphere and feeling of cooperation and give and take in industrial relations.

69. Another aspect of the problem of industrial relations is whether setting up of a Joint Consultative Committee or Workers' Participation in Management would minimise the industrial strife. Setting up of Joint Committees or Works Committees is one way of doing this. But the experience so far gained is that Works Committee have not been able to function effectively. This may be due to the limited scope of its functioning vis-a-vis trade union rights and obligations. Unless there is a proper atmosphere of mutual trust and good-will prevailing, exercise of Workers' Participation in Management would not work out successfully. The best course to make a beginning would be to make the Works Committees function effectively.

70. A well laid-down and effective grievance pro-

cedure should also help minimise industrial strife and causes of friction. The grievance procedure should be simple and understood by all the workers. The common form of grievance procedure is a "step-ladder" type. The workers' individual grievance should be heard at the lower level first and tried to be resolved by a foreman or immediate supervisor. It is the responsibility of everybody in the supervisory and managerial hierarchy to create an atmosphere of harmonious

relationship between employer and employees.

71. This is, in short, the condition of fertilizer industry in the country in respect of employer-employee relations. A further study of the problem in relation to fertilizer industry can be made with particular reference to the various issues raised in the detailed questionnaire of the National Commission on Labour and after obtaining views of the other Study Groups.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR PAPER AND PULP INDUSTRY, 1967—REPORT

Delhi, Manager of Publications, 1968. 43p.

**Chairman :** Shri H.P. Dhanuka.

**Members :** Shri P.S. Kothari; Shri Hari Singh;  
Dr. R.L. Bhargava; Shri G.C. Joshi;  
Shri Nirmal Kumar Sen; Shri  
K. Banerjee.

**Member-**

**Secretary :** Shri N.C. Kundu.

### APPOINTMENT

The Study Group for Paper and Pulp Industry was constituted by the National Commission on Labour Vide its Memorandum No. 3(25) 67-NCL Dated June 22, 1967.

### TERMS OF REFERENCE

In regard to the subject allocated to it, ascertain facts from available literature on the subject, draw conclusions and suggest solutions to the problems posed by the Group for the consideration of the commission. The commission may also pose problems for consideration of the Group from time to time.

### CONTENTS

Foreword; Background; Introduction; Growth; Growth-Pulp, Boards etc.; Organisational Structure; Technology; Raw Materials; Chemicals; Investment Requirements and Financial Working; Employment Structure and Potential; Wages; Bonus; Other Benefits; Productivity and Incentives; Training Schemes; Social Security; Gratuity; Labour Welfare;

Labour Legislation; Industrial Relations; Conclusions and Suggestions; Annexures 1 and 2.

### RECOMMENDATIONS

(i) The welfare measures prevailing in paper industry are better than those envisaged in the Factories Act. The scope for further improvement in the working conditions and in the welfare measures now available to the workmen in the industry will improve with increase in productivity and improvement of economic condition of the industry due to decontrol of prices of paper.

(ii) The existing facilities of training available at Institutes at Dehradun and Saharanpur should be fully utilised by the industry. With the increased demand for trained technical personnel, more such institutes should be set up by Government and Industry.

(iii) At present, the research facility exists only in respect of testing and utilisation of cellulosic materials at Forest Research Institute at Dehradun. In addition, it is necessary that a Central Organisation be set up to undertake research on substitution of imported spares and components required by the paper mills.

(iv) To overcome the increased demand of raw materials, the present programme of raising the plantations of fast-growing species should be followed up vigorously and Government should make available adequate funds.

(v) The practice of leasing out forests by the various State Departments, the selection of lessees, and the fixa-

tion of royalty have since been subjects of criticism from the paper industry. For the convenience of the paper mill industry, the mill-owners have pleaded for the leasing out of the forests to paper mills at reasonable royalties. When both the Planning Commission and the Tariff Commission have recommended that leases of forest areas should be granted to paper mills on a long-term basis, this matter may further be recommended to the Government by the National Commission on Labour for due consideration.

(vi) The industry should make every effort to utilise more and more of unconventional raw materials like straws, bagasse, hardwoods etc.

(vii) With a view to ensure healthy industrial relations in the industry and further to combat the sinister effects of trade union rivalry and also to implement Code of Conduct and Discipline, it is suggested that trade unions be recognised on the basis of Bombay Industrial Relations Act.

(viii) The Code of Discipline as evolved by the 15th Indian Labour Conference does not appear to be effective in helping to restore healthy industrial relations. It is suggested that provisions of the Code be incorporated in some labour enactment to give it legal sanction.

(ix) Voluntary arbitration has not been found successful and the number of litigations are on the increase. It is suggested that for a set of subjects of dispute of minor nature arbitration should be made compulsory, following failure of conciliation.

(x) Besides permanent workers' there is a good number of contract workers employed on certain jobs, which are essentially of intermittent nature in view of the peculiar nature of operations in the paper industry. For this purpose, the contract system should be retained in the industry.

(xi) The industry should try to introduce parity in the wages of permanent and contract workers.

(xii) The existing grade structure introduced in some of the mills either as per agreement or as per award of the industrial tribunal does not create any incentive for increased productivity. A tripartite body should be formed to determine the wages on the following basis :

(a) Proper utilisation of man-power and the material.

(b) Proper assessment of minimum and maximum work-load per capita or group.

(c) Regional socio-economic conditions.

## NATIONAL COMMISSION LABOUR, THE STUDY GROUP ON INDUSTRIAL RELATIONS (NORTHERN REGION), 1967—REPORT

Delhi, Manager of Publications, 1968. 52p.

**Chairman** : Shri V.K.R. Menon.  
**Members** : Shri K.N. Vaid ; Dr. T.N. Kapoor  
Dr. P.D. Shrivastava ; Shri D.P. Durgawati ;  
Shri Y.D. Sharma ; Shri M.L. Khullar  
**Secretary** : Shri M.M. Rao.

### APPOINTMENT

The Study Group on Industrial Relations (Northern Region) was constituted under the National Commission on Labour vide their Notification on June 22, 1967

### TERMS OF REFERENCE

In regard to the subject allocated to it, as certain facts from available literature on the subject, draw

conclusions and suggest solutions to the problems posed by the Group for the consideration of the Commission.

### CONTENTS

**Part I—Introductory** : General ; Trade Unions and Employer's Organisations ; The Present System of Industrial Relations—An Assessment ; **Part II—Suggestions and Recommendations** : Trade Unions, Industrial Relations ; Summary of Recommendations.

### RECOMMENDATIONS

The trade unions should be enabled to play their role better and more effectively if a lasting improvement in labour-management relations is to be brought about.

The minimum number required to form a trade union should be fixed at seven per cent or one per cent of the employees in the unit covered which ever is higher.

In addition to the existing provision, the Registrar should have the powers of cancellation of registration of a union for certain other specified reasons.

The setting up of some authority to enquire into disputed elections of union executives seems necessary. We are not, however, in favour of the Registrar being saddled with this function, which can more appropriately be entrusted to a Labour Court.

It does not seem necessary to attempt the wholesale elimination of outsiders through any legal provision. The sounder method is to build up good leadership from among the workers themselves and in this process, the need of outsiders will gradually decrease and may completely disappear eventually.

We favour the reduction in the legal limit of the number of 'outsiders' who can be office-bearers in a trade union to one third of the total.

It will be necessary to enact legislation defining, prohibiting and penalising unfair labour practices.

Real improvement in regard to multiplicity of unions and inter-union rivalries, could be expected only if the unions and the union leaders evolve a common policy of conduct in regard to establishment of new unions and made genuine and determined efforts to avoid multiple unions.

The right of recognition and collective bargaining should be secured to trade unions, through law.

For the determination of the majority union for purposes of recognition, some suitable method acceptable to all trade union organisations should be evolved as early as possible; and this will have to be through legislation.

The recognised union should enjoy the sole right to represent the employees in the undertaking or industry in all industrial matters and general disputes.

The recognised union should be given the facility of check-off subject to the written consent of the workers concerned.

We are not in favour of the recognised union being given the right to union shop. However, where a recognised union exists in a unit, all workers in that unit should be required to join either that union or any other union of their choice.

The existing limited rights of the non-recognised unions should continue.

For deciding the majority union, certifying the recognised union as the bargaining agent, for determining areas of bargaining, for deciding issues of unfair labour practices and dealing with other related matters, it would be desirable to set up a judicial agency

independent of the normal labour administrative machinery.

Trade Union Subscription should be fixed at a minimum of one per cent of the wages of a worker (basic wage  $\times$  D.A.) subject to a minimum of Re. one p.m.

It would be desirable if employers also are organised on an industry-wise basis with regional or local organisations depending on how collective bargaining develops. Registration should be made compulsory in the case of employers' organisations also, as already prevails in the case of trade unions.

There should be provision for recognition of a majority union as the sole bargaining agent so that all disputes and demands can be considered and settled through collective bargaining. Government's role should be more in the realm of conciliation and mediation and less in the form of adjudication.

The most effective method for preventing industrial disputes and developing cordial labour-management relations would be by devising suitable and appropriate means and arrangements at the enterprise level to ensure proper communications and for dealing with day-to-day grievances, and for resolving possible conflicts and frictions.

There should be a grievance machinery adopted in all undertakings—big and small.

Proper channels of communication between management and employees should be developed. The supervisor at the shop floor level is a key figure in this regard and should be given due importance as an important channel of communication.

Works Committees should be made more effective. In its allotted sphere, its decisions should be binding. But it should not be burdened with the functions of settling grievances or bargaining with the employers.

The setting up of joint management councils is a matter which should be left to mutual agreement between the employer and unions. Such an institution can function effectively only in an atmosphere of good labour management relations and mutual trust and goodwill.

Even with the development of collective bargaining, the conciliation machinery will still have an important role to play. To enable this machinery to function more effectively, the conciliation officers should enjoy suitable status and emolument.

In the complex economic and political situation we are in today, it is not possible to rely exclusively either on collective bargaining or on compulsory adjudication as the basis of our industrial relations procedures.

Collective bargaining should be given primary importance as the method for settlement of industrial disputes.



The requirements of national economic policy make it imperative that State regulation has to be resorted to even when collective bargaining is the main method of regulation of labour-management relations.

The attempt should be to bring about a greater acceptance of collective bargaining and restricting availability of compulsory adjudication while at the same time promoting measures for the growth of strong unions and giving them recognition as agents for collective bargaining.

There is need for stepping up plans for improvement

of working and living conditions of agricultural labour in this region particularly. Matters could be made easier if instead of making out a big list of ameliorative measures and effecting none, a modest beginning is made in regard to one or two matters.

The question of setting up informal consultative machinery in small units should receive greater attention. Such machinery may be voluntary, but the State Labour Department and Inspectorate could give a helping hand.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP ON LABOUR PROBLEMS IN THE PUBLIC SECTOR, 1967—REPORT

Delhi, Manager of Publications, 1968. 104p.

**Chairman :** Professor V.V. Ramanadham.

**Members :** Shri B.N. Jayasimha; Shri Ram Chander;  
Shri K. Appa Rao; Shri M.S. Krishnan;  
Shri Tulsi Boda; Shri G. Sanjeeva Reddy;  
Shri S.K. Nanda; Shri H. Bhaya;  
Shri S.V. Kulkarni; Dr. Raj K. Nigam.

**Member-**

**Secretary :** Shri A.S. Jagannadha Rao.

### APPOINTMENT

The National Commission on Labour set up the Study Group on Labour Problems in the Public Sector in July 1967.

### TERMS OF REFERENCE

To analyse available information and project its thinking on problems peculiar to labour in the public sector in the years to come taking into account the possible development in this sector.

### CONTENTS

Foreword; Introduction; The Labour Problems in the Public Sector; Recruitment, Promotion and Training; Welfare Expenditures; Incentives and Wages; Industrial Relations; Uniformities in Public Sector; Summary of Findings and Recommendations; Acknowledgements; Points of Dissent by Shri M.S. Krishnan; Appendices from I to X.

### RECOMMENDATIONS

The following is a summary of our findings and recommendations :

Public enterprise management operate under heavy handicaps in their dealings with labour. Management-

labour relations are continuously under the glare of public opinion and parliamentary criticism as well as external pressures. Unfortunately, their capacity to pay is yet so low that the managements usually find themselves inhibited in taking decisions involving extra labour-costs autonomously by themselves, and most of the industrial disputes directly or indirectly involve such decisions.

It is of utmost urgency to define the status of the workers in the public sector vis-a-vis the employees in the government, so that both the management and the workers are on clear ground in negotiations. It seems necessary that the government ought to limit its intervention in so far as management-labour negotiations are concerned by specifically laying down the broad principles within which the management could negotiate with their labour on their own, such as (1) the extent to which the capacity to pay should be subordinated to the payment of needbased wages, (2) the extent to which the retained earnings for ploughing back into the business could be sacrificed, (3) the extent to which dividends could be lowered or losses enhanced to meet the wage demands of the labour and, (4) the extent to which such extra costs could be passed on to consumers by way of increased prices of products. This should not only be recognised in theory, but implemented in practice.

Motivation of the working force in public enterprises outside economic incentives is a matter of vital importance for their successful running. Since most of the enterprises are not in a position to offer monetary incentives generously, motivation through association of workers becomes an urgent necessity. Without a

satisfactory consensus on the wider problems of recognition of unions, association of workers with the running of enterprises cannot be effective, and without such association, the dynamism lacking in public enterprises to-day cannot be imparted. This issue, therefore, deserves special attention of the Commission. Meanwhile, some enterprising undertakings should be encouraged to experiment in this direction and the results watched.

While supporting the cause of maximising the employment in the country as a whole, public enterprises ought not to be singled out for uneconomical absorption of grossly surplus labour force. They ought to be encouraged to make all lawful adjustments in the size of the labour employed by them, consistent with the technology adopted by them without bringing sudden or large-scale retrenchment in the process.

In point of wages and wage structures, it was felt by some that public enterprises on the whole are playing the role of a pace-setter. Another view expressed was that public enterprises have adopted only desirable standards to a certain extent in the matter of view of the fringe benefits such as housing, leave facilities, hospitals and play-grounds. The failures both on the side of management and labour have resulted in the nation's expectations of public enterprises as model units, not only economically but sociologically, not being realized adequately. The causes particularly emanating from the delays on the side of the Government ought to be remedied at once.

There is need for formulation of a well-defined policy and an unambiguous procedure to be followed in regard to recruitment and promotion.

By the very nature of the public sector undertakings, it is expedient to adopt the priorities listed in the government directive for displaced persons, scheduled castes and local unskilled workers.

Qualifying tests including trade tests should be laid down for as many posts as possible in every enterprise.

There should be standardisation in the job specification related to wage scale for the purpose of direct recruitment on a common criteria, throughout the public enterprises to the extent possible.

We have no positive recommendation to make on the question of representation to workers on selection committees for recruitment and promotion.

We find no need for associating State Government's representatives with the selection committees, as the interests of local employment are adequately covered by the government directive on the subject.

Public enterprises located at one place should aim at achieving some uniform canons of promotion based on standard job description and job terminology.

Whatever percentages for promotion from within

an enterprise are considered desirable, level by level, these must be announced and consistently followed from time to time, so that labour does not find in promotions a cause for complaint or protest.

As an adjunct to recruitment and promotion policies, it is necessary to emphasize the need for the management to provide extensively training schemes within the organisation for upgrading workers' skills and increasing their potential for promotion within the organisation for specialised jobs.

Training has caught on in public enterprises. We recommend the institution of training schemes to improve employee's skills, emoluments and status in those enterprises where they do not exist at present.

Small enterprises which may not be able to introduce full-fledged training schemes individually should evolve co-ordinated schemes of training on a joint basis.

The welfare expenditures vary considerably from one public enterprise to another to-day. Some guidelines have to be set by the government on the permissible differences in the quantum of welfare expenditures which an enterprise with factories of different financial potentialities may incur at the different places.

It is even more important that public enterprises spending quite different amounts on welfare benefits ought to be given some clear guidance by the government on the extent of provisions that should be minimally aimed at by any or every unit in the public sector. Theoretically the maximum limit also needs to be prescribed.

It is also necessary that the maximum quantum of per capita welfare expenditure be approximately determined for public enterprises in general, with appropriate allowance for special location factors. A sliding scale may be formulated, according to which as the surplus, increases, a varying, probably slightly declining percentage of surplus may be made available for welfare expenditures.

Welfare administration ought to be streamlined so that the full value of the money spent might be realized by the workers concerned. Instead of merging the welfare functions with several other and more established functional areas of management, the welfare items should be co-ordinated under a welfare officer with the required staff under him and a specific budget for his department.

Where the size of operations and the working force of an enterprise are too small to permit it to launch such welfare programmes as a school, or full-fledged recreational facilities, attempts should be made to co-ordinate its programmes with any other public enterprises in the same locality or region. In fact, resources may be pooled wherever possible and the best possible facility provided with the aid of the combined resources.

The Commission may consider the propriety of setting up of a welfare ministry with its own funds at the central level. Both public and private enterprises of a commercial character should come within the purview of such a ministry, if and when created.

The government should work out with every public enterprise, the detailed programme and extent of township facilities to be provided by it eventually. The criteria of house allotment should be clearly laid down by the enterprise and the employees should be associated with the formulation, as well as the implementation of the rules of allotment.

Incentive schemes should be introduced after scientific fixation of work-loads and proper assessment of physical and technological conditions.

Incentive schemes should be linked with labour productivity either directly or indirectly, so as to avoid increased labour costs.

Incentive schemes in multi-plant enterprises should be tailor-made plant-wise.

In monopoly enterprises, care should be taken to ensure that incentives do not tend to do the work of mere wages and that incentive earnings result only from increased productivity. It is advisable that all incentive schemes are drawn up in consultation with trade unions.

The introduction of an incentive scheme should be preceded by a proper fixation of standards of performance, and the coverage of different departments like maintenance group, the management group and the head office group should be evolved in a way as not to increase the cost of the implementation of the scheme in relation to the benefits that it confers.

A national wage policy is necessary to determine the fair share of wages for all sectors of economy in relation to the total national income in this crucial stage of the growth of our economy.

The basic wages in different categories of skills among enterprises of a similar nature tend to be different. There is great scope for standardisation of nomenclature and job contents for similar work throughout the public sector undertakings.

Since the progress towards the need-based wage can only be made through higher productivity, it could be done only through a basic acceptance by the trade unions in the public sector of the economic objectives and limitations of the public undertakings, making joint efforts to reduce the period of waiting for attaining the need-based wages.

The Commission may consider the question of the best means for setting about the formulation of a national income and wage policy with the participation of all the major trade unions and the employers' organisations in the country so that individual wage

policies and disputes could be settled within a definite framework.

The time has come for a review of the plethora of Industrial Acts and to streamline the procedures, the returns and the various machinery set up under these Acts.

The rules under some of these Acts in different States differ in important details and therefore pose problems for multi-plant units operating in different States.

The scope of application of the Factories Act could be re-examined as at the moment the Act covers different sections of the same unit which have different activities and working conditions and need special treatment. Such an understanding can only be reached and imposed at the national level and not at the local union level.

There is need to reduce the number of reports to be filed under the various Acts.

It should be possible to devise one Act to cover all the employees of a unit.

There is a case for uniform statutory standing orders for all Central Government undertakings. Some public enterprises are unable to form works committees where inter-union rivalries and recognition issues are unresolved. The sooner a proper method of recognition of unions is evolved and statutorily laid down, the better. A minimum percentage in the total strength of the labour force in an enterprise should be laid down as a condition of eligibility for registration of a trade union.

The argument for centralisation of labour administration seems to be fairly strong on theoretical grounds, though in practice this question calls for reconciliation between the specific interests of the central public sector with broader administrative considerations regarding industrial relations in the country as a whole and the division of powers and responsibilities as between the Centre and the States.

The Commission may attempt to bring about a consensus in the trade unions on the one hand and the management on the other, on the question of centralising industrial relations, as distinct from other matters like law and order.

The Joint Management Councils have not been a success. Instead of a plethora of bipartite committees with overlapping functions, it is better to statutorily provide for a single Joint Management Council which in its turn will set up functional sub-committees. To be truly effective, Joint Management Council must include a representative body of workers who can carry conviction with the large body of workers. There was divergence of opinion on how the Council should be constituted with labour representatives.

Uniformity in the matter of leave rules should not be difficult to achieve among the public enterprises, particularly on the pattern of the industries.

It is necessary to bring about uniformity in the number of hours of work for blue and white collar workers within the same enterprise.

Although a fully satisfactory pattern prescribing recruitment and promotion rules common to all undertakings may not be evolved, it is still administratively possible to lay down general principles to be

followed.

Standard rules governing the conduct and discipline of employees in the public sector undertakings in all categories should be drawn up similar to the Civil Service Conduct Rules.

There does not seem to be any reason why the public sector undertakings cannot evolve a uniform pattern in medical aid similar to the Employees' State Insurance Scheme or the contributory Health Service Scheme, irrespective of their location.

## NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR PLANTATIONS (COFFEE/RUBBER), 1967—REPORT Delhi, Manager of Publications, 1968. 58p.

Convenor : Shri P.S. Habeeb Mohammed.

Members : Shri A. Gopalankutty Vydier; Shri A.E. Antony; Shri U.K. Laxmangowda; Shri T.V. Joseph; Shri C.M. Stephen; Smt. Parvathy Krishnan; Shri P.L. Perumal.

Member-Secretary : Shri Mir Masood Ali Khan  
(replaced by Shri A. Gopalankutty).

### APPOINTMENT

The National Commission on Labour constituted a Study Group for Plantations (Coffee/Rubber) Vide its Notification No. 3(24)/67-NCL dated July 4, 1967.

### TERMS OF REFERENCE

The Study Group will, in regard to the subject allocated to it, ascertain facts from available literature on the subject, draw conclusions and suggest solutions to the problems posed by the Group for the Consideration of the Commission. The Commission may also pose problems for consideration of the Group from time to time. Again the terms of Reference were elaborated;

In view of the Comprehensive nature of the enquiry and need for tapping the expertise available within the country on labour problems in different industries on the various aspects of the Commissions terms of reference, the Commission has decided to set up a large number of expert Study Group. A fair amount of information is available in the country on different industries. The Study Groups are expected to draw

upon the relevant material on the whole area of the Commission's enquiry in the concerned industry and project their thinking on labour problems in the industry in the years to come—The Group is free to evolve its own procedure for work and frame-work of its report. However, the emphasis will be on interpretation of existing data and not on collection of additional information.

### CONTENTS

Foreword; Introduction; Enquiries and Methods of Investigation; Background and Development of the Industry; Recruitment and Induction; Employment; Conditions of Work; Trade Unions and Employers' Organisations; Industrial Relations; Fixation and Revision of Wages; Productivity and Incentive System; Social Security; Labour Laws; Labour Research; Conclusion; Acknowledgements; Appendices from I to V.

### RECOMMENDATIONS

1. The scope for expansion of the employment potential in the coffee plantation industry is limited whereas that in the rubber plantation industry appears bright.
2. Decasualisation of employment to the extent recommended by the Wage Board for coffee should be effected. In respect of rubber plantations also, the question should be taken up at the appropriate level.
3. During the period of 12 years from 1951 to 1963 the average daily employment in coffee and rubber

### COMMITTEES AND COMMISSIONS

plantations increased by 16.6 per cent and 158.9 per cent respectively.

4. Percentage of women employed in coffee and rubber plantations increased from 40 per cent and 24 per cent respectively in 1944 to 44 per cent and 30 per cent respectively in 1961.

5. The practice of giving items of regular work like weeding, manuring etc. to outside contractors followed by some estates should be discontinued.

6. The tappers' training scheme started by the Rubber Board should be developed on a more extensive scale by opening regional centres and study leave should be allowed to the workers for attending the training course.

7. The gratuity scheme for plantation workers should be framed in such a way that it should induce the workers to remain in the industry.

8. A rational promotion policy based on qualification, seniority and suitability should be evolved.

9. Out of 1463 coffee plantations and 1544 rubber plantations measuring more than 10.117 hectares each, only 833 coffee plantations and 170 rubber plantations are brought within the purview of the Plantations Labour Act. The number of workers who enjoy the benefits of the Plantations Labour Act is 60,000 out of the 3.30 lakhs of workers employed in the coffee and rubber plantation industry including self-employed owners of small holdings of less than 4 hectares. In order to remove this disparity, the possibilities of providing housing facilities through co-operative societies and medical facilities through some institution like the ESI to the plantation workers who are not covered by the Plantations Labour Act, have to be explored.

10. As the provision of medical facilities in small plantations is a difficult problem which cannot be solved satisfactorily by the strict enforcement of the Plantations Labour Act, the responsibility must be taken over by the State or by some machinery created for this purpose.

11. Canteens are necessary only if the plantation employs 150 or more non-resident workers, and creches are to be provided only when the plantation ordinarily employs 50 or more women workers.

12. Housing accommodation should be provided to all workers who wish to reside in the plantations.

13. Subsidy of 25 per cent under the Subsidised Housing Scheme for Plantations should be given to all employers who apply for the same without insisting on 50 per cent loan being availed of.

14. The provisions of the Rules framed under Sections 13 and 14 of the Minimum Wages Act should be incorporated in the Plantations Labour Act also in order to limit the working hours to 9 hours a day and 48 hours a week and to provide for payment of over-

time wages.

15. Accumulation of sickness benefits not availed of should be permitted in case of prolonged or chronic illness as recommended by the 12th Session of the Industrial Committee on Plantations.

16. The Indian Trade Unions' Act 1926 should be amended, so as to provide for compulsory recognition of trade unions after ascertaining their representative character through secret ballot.

17. The dual functions of conciliation officers and enforcement officers should not be combined. There should be separate cadres of conciliation officers and enforcement officers.

18. A Labour Appellate Tribunal should be constituted to reduce delay in final disposal of disputes.

19. The Code of Discipline should not be given statutory basis.

20. Voluntary arbitration should be encouraged to the greatest possible extent.

21. Tripartite Committees like the Industrial Committee on Plantations at Central level and the Plantation Labour Committee in Kerala State are very effective in resolving industry-wise issues.

22. A time-limit should be laid down for the submission of the reports of Wage Boards.

23. The wage rates for latex and scrap rubber being equal, there is no incentive for the tappers to produce good quality latex. This should be set right by an incentive scheme for maximum production of good quality rubber. The system of assisted collection recommended by the Wage Board for Rubber should also be introduced.

24. The definition of "worker" in the Plantations Labour Act should be amended so as to bring those getting upto Rs. 500 within its ambit.

25. A provision analogous to Section 85 of the Factories Act should be incorporated in the Plantations Labour Act in order to enable the State Governments to notify plantations to come within the purview of the Act irrespective of the area or the number of workers.

26. Section 18 of the Plantations Labour Act may be repealed.

27. Employees doing clerical work should be included in the schedule to the Workmen's Compensation Act 1923.

28. The Inspection and Enforcement machinery in the States should be strengthened and the officers should be given reasonable remuneration and status. They should also be given necessary transport facilities.

29. Instead of separate returns under the various statutes like the Plantations Labour Act, Minimum Wages Act etc., consolidated returns should be prescribed for facilitating statistical work.

# NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR COAL, 1967—REPORT

Delhi, Manager of Publications, 1968. 86p.

**Chairman :** Shri Chhedi Lal.

**Members :** Shri K.S.R. Chari; Shri R.G. Deo (replaced Shri G.S. Jabbi) ; Shri P. Chandras; Shri R. Lal; Shri Rasik Lal Worah; Shri A.H. Azad (later on retired); Shri Kanti Mehta; Shri Kalyan Roy; Shri Deven Sen.

**Member-Secretary :** Shri S.K. Dutta.

## APPOINTMENT

The National Commission on Labour set up the Study Group for Coal vide its Circular No. 3(21)/67-NCL Dated July 5, 1967.

## TERMS OF REFERENCE

"The Study Group will, in regard to the Coal Industry, ascertain facts from available literature on the subject, draw conclusions and suggest solutions to the problems posed by the Group for the Consideration of the Commission. The Commission may also pose problems for Consideration of the Study Group from time to time."

## CONTENTS

Foreword; Introduction; General Background; Employment, Recruitment and Training; Safety in Mines and Conditions of Work; Living Conditions and Amenities for Worker in the Coal Industry; Industrial Relations; Incentives and Productivity; Social Security; Summary of Recommendations.

## RECOMMENDATIONS

### Employment, Recruitment And Training

1. It is learnt that the Government are already contemplating introducing a pilot scheme of unemployment insurance in coal mines so that retrenched workers may be paid 50 per cent of their average wages during the period of their unemployment subject to a maximum of six months. The Study Group suggests that Government should formulate this scheme as early as possible and introduce it progressively to cover the entire coal industry. For this purpose, a special fund may be created by levying a new cess on coal similar to the

welfare cess. The details of the scheme may be worked out in consultation with the interests concerned.

2. The Study Group feels (employers' representatives dissenting) that in order to create healthy employer-employee relations it is time that the system of recruitment through C.R.O. is completely abolished.

3. A comprehensive review of the working of the Employment Exchanges set up in the coalfields is called for. A careful evaluation of their performance should be undertaken speedily and appropriate remedial action suggested to make them effective instruments of serving both industry and labour.

4. The Study Group suggests that the scheme of maintenance of Badli Register, its regular inspection by appropriate officers and the employment of such registered workers on a priority basis be introduced in the coal mines, and to begin with, a few pilot schemes on the lines of the Sindri Scheme, with suitable modifications, may be started. The scope of the scheme may be expanded in the light of the experience gained from the working of these pilot schemes.

5. A register of all surplus workers should be maintained in the form of a pool and it should be made incumbent for employer to draw workers from this pool before resorting to any other form of recruitment. Lists of colliery workers of different categories should be maintained on a regional basis, and for operational purposes suitable regions should be drawn up after taking into account the feasibility of movement of workers within that region.

6. The implementation machinery of Government should take effective steps to implement the report of the Dave Court of Enquiry and the Bipartite Agreement of October 30, 1961.

7. Despite the downward trend in the employment of women workers, a large number of them would still continue to be employed in the coal industry. Hence the Study Group feels that watch needs to be kept on implementation of the statutory provisions regulating the working conditions of women and provision of creches, etc. meant for them.

8. Formulation of a proper scheme to ensure that every disabled workman, who is capable of performing lighter work, is provided with alternative employment, is essential. It is understood that the Government of

India have set up a committee under the chairmanship of the Director General of Mines Safety to go into the problem of disabled miners and their rehabilitation. The Study Group hopes that this committee would expedite its work and suggest appropriate measures to provide for vocational training and industrial rehabilitation of disabled coal miners. As soon as the committee's report is received, the Government should take appropriate steps to implement its recommendations speedily.

9. While agreeing that it may be difficult for the coal industry to do away with casual labour so long as erratic and irregular supply of wagons by the Railways continues, the Study Group is of the view that the employment of such labour on other jobs of a continuing nature is not desirable and this practice should be done away with.

10. In order to improve the efficiency of workers and create better safety consciousness among them it is essential that all of them undergo training in refresher courses as prescribed in the Mines Vocational Training Rules, 1966. In order that it may become obligatory for all workers to undergo such refresher courses, it is suggested that the operation of Rule 9 of the Rules be extended to all coal mines.

11. In order to standardise the training course and to create interest in the worker for his own training, it is necessary to bring out suitable literature in local languages and distribute it freely to those who attend such courses. The co-operation of the National Council for Safety in Mines may be sought in the matter.

12. The provisions of the Apprentices Act to be applied to the Coal Industry should supplement what has been provided for already under the Mines Vocational Training Scheme and the trades to be designated under the Act should be selected accordingly so that there may be no duplication.

### ***Safety In Mines And Conditions Of Work***

1. **Safety** : Periodical refresher courses on safety training should be organised by the Director General of Mines Safety. There should be more frequent conferences on safety in mines to facilitate exchange of views on various aspects of safety which keep on changing.

2. Government may consider reorganisation of the Directorate General of Mines Safety in the context of its scope and functions in order to enable it to devote more attention to the technical and qualitative aspects of inspections.

3. In order that the National Council for Safety may become a more effective instrument for creating an all round awareness of the need for ensuring safety

throughout the mining operations, the Council's working and its powers and functions as also its composition should be reviewed.

4. The Study Group understands that the Mines Safety Equipment Advisory Board has set up a Committee on Indigenous Production of Mines Safety Equipment. This committee has compiled useful information on indigenous manufacture of equipment, present installed capacity for manufacture and anticipated production by 1970. Some information about development plans of the manufacturing units and users' requirements has also been collected. The data compiled should be immediately published and circulated widely among colliery management. The committee should review the position at least once every year and bring the information up-to-date.

5. The above committee should make detailed assessment of import requirements for safety equipment and spare parts in the context of the availability of these from indigenous sources. For the present, urgent necessity is felt for certain basic equipment of the approved type for ensuring safety in mines, which is available only through imports, such as electric cap lamps, bulbs and spares, winding ropes for deep shafts, cage suspension gears, exploder spares and flame-proof equipment. Methanometers for gassy mines and several types of rescue and safety equipment also come in this category. Since the requirements of safety can be ignored only at the risk of valuable lives, Government should make necessary provision of foreign exchange for import of equipment till indigenous capacity is established and the required type and quality of equipment is actually available in the country.

6. The I.L.O. report to the Government of India on Mines Safety had made some detailed recommendations about organisation of rescue stations and trained rescue teams. The Study Group recommends that Government may give consideration to these recommendations in the interests of the safety of workers.

7. **Health and Occupational Diseases** : The existing arrangements for diagnosis, survey and treatment of occupational diseases like pneumoconiosis and silicosis are far from satisfactory. The Study Group recommends that Government should train competent medical officers for dealing with such occupational diseases and attach them to the Pneumoconiosis Medical Boards.

8. The question of rehabilitation of workers disabled by occupational diseases has been dealt with in Chapter III of this Report.

9. The Committee set up in November, 1959 to examine the problem of hazards due to dust and to suggest remedial measures is reported to have submitted its report. Prompt action on the recommendations of

the committee should be taken.

10. There should be more frequent reviews of the effect of controlled measures against various occupational diseases in coal mines. The work of the committee referred to above should be of a continuous nature and the committee should make a report every year regularly wherein further measures necessary to prevent such diseases should be suggested.

11. **Working Hours, Rest and Holidays :** The workers' representatives have urged that working hours in mines should be reduced to 7 hours a shift, or 5 days a week without any reduction in their emoluments. In support of this, examples of other industries in the country and of the mining industry in other countries have been cited. The employers' representatives, however, feel this to be impracticable in the present conditions of the coal industry, particularly in the context of productivity. In the circumstances, the Study Group suggests that the problem be examined in all its aspects by a body of experts.

12. In regard to the factor of fatigue which should justify lesser hours of work in mines, no view can be expressed unless the experts' opinion is available. The Study Group would suggest that the committee set up for this purpose in 1959 should expedite its report and Government may take appropriate measures to see that the said report is not delayed.

13. In modern times, method study in the industries has made a notable contribution towards bringing about the safest and most effective use of men, machines and materials. Such studies conducted by the Central Mining Research Station, Dhanbad, in several coal mines are a step in the right direction. The Study Group recommends that management organise such studies more frequently with the help of the C.M.R.S. Workers' co-operation should be sought by the method study team fully discussing with them in advance the plan of the study.

#### **Living Conditions And Amenities For Workers In The Coal Mining Industry**

1. The Study Group wishes to draw the attention of the authorities concerned to this inadequate implementation of provisions relating to such essential amenities as canteens, pit-head baths, creches, and sanitary latrines and emphasizes that effective measures be taken to implement them.

2. As recommended by the Advisory Committee on Coal Mines Welfare in 1962, the Government should consider the question of increasing the labour welfare cess to Re. one per tonne as the cost on implementation of various measures under the Welfare Fund has increased considerably.

3. The Study Group recommends that the Welfare

Organisation should pay more attention to the health problems of colliery workers and make efforts to provide for coal mine workers adequate medical facilities, including special facilities for T.B. patients, leprosy patients and those suffering from occupational diseases.

4. Some States levy an educational cess on coal. They should provide adequate facilities for the education of workers and their families.

5. Special efforts should be made to promote co-operative movement in the coal mining areas, so that the maximum number of colliery workers may be served by Co-operative Societies and Co-operative Stores. For this purpose, it is necessary that the civil supply authorities give preferential treatment to Co-operative Stores in the matter of allotment of supplies of controlled commodities.

6. Because of the hardship caused to colliery workers in the matter of food supplies, the Study Group recommends that steps should be taken to ensure them on a preferential basis, minimum quota of rice and wheat equivalent to what is provided to heavy manual workers under the statutory rationing schemes. The colliery co-operatives can be utilised for this purpose by Government.

7. Arrangements should be made to simplify the procedure for grant of loans to the colliery co-operatives.

8. The Co-operative Departments of the State Governments should see that the statutory requirements in such matters as auditing of accounts and periodical inspections are strictly followed.

9. (a) An urgent enquiry should be made into the slow progress of water supply schemes. The Study Group feels that supply of clean drinking water is a minimum facility that must be provided and any bottlenecks in the introduction and implementation of these schemes should be expeditiously removed, specially in areas which have not been covered by existing water supply schemes. Because of the slow progress of these schemes, it is recommended that the Central Government must now take a hand in this matter and draw up and implement a scheme of phased development of water supply schemes in the coalfields. It also suggests expeditious completion of the work in the first area under the Integrated Water Supply Scheme of Raniganj.

(b) The Study Group suggests that, to the extent possible, water pumped out of the pits may be utilised for drinking purposes after necessary treatment. The Coal Mines Welfare Fund should subsidise such schemes.

10. More attention needs to be given to the housing schemes, as there is considerable shortfall in the tar-



gets of construction of houses. The Study Group expresses its concern over the very slow progress in the construction of houses. Two factors, among others, responsible for this slow progress are the involved procedure about acquisition of land and payment of subsidy. The inadequacy of subsidy is another factor. The Study Group recommends that the whole question should be gone into and appropriate measures taken to simplify the procedures and to expedite the system of payment, and where necessary, a system of advance payment may be introduced to facilitate quick construction of houses.

11. Workers' representatives should be given an opportunity to inspect statutory welfare measures—but the spirit of these inspections should be not just to level criticism but to make constructive suggestions for improvement.

### Industrial Relations

1. Expeditious settlement of workers' legitimate claims goes a long way in improving industrial relations. The procedure involved in Payment of Wages Act and Settlement of Provident Fund dues should be reviewed immediately and a working arrangement evolved so that the payment of workers' dues is effected promptly and cumbersome procedures that cause delay are eliminated.

2. The Code of Discipline and the Model Grievance Procedure evolved under the Code have not so far become active instruments of maintaining industrial peace. They should be so modified as to bring essential ingredients like recognition of trade unions, implementation of awards, and setting up of grievance machinery under relevant statutory provisions—and only the operational details may be left to mutual agreement.

3. The conciliation machinery of the Government of India needs to be considerably strengthened, both in its character and in its composition, in order that it may serve as an effective instrument of resolving industrial disputes.

4. The time has come when industrial disputes should be settled by greater recourse to bi-partite negotiations and voluntary arbitration rather than to adjudication and invocation of statutory provision.

5. The machinery for joint consultation in the coal industry needs to be activated. Works Committees, Joint Management Councils and Production Committees, with representatives of managements and workers, should be formed where they do not exist and they should be made active and effective instruments of ensuring industrial peace.

6. In order that collective bargaining may replace recourse to third parties for settlement of issues and, in the interest of promoting good industrial relations,

it is necessary that the sole bargaining agent should be the recognised union with a representative character. In regard to the procedure for determining the representative character of a trade union for purposes of recognition, widely divergent views are held by representatives of workers and employers. This is a wider issue which can be decided only at the national level. The Study Group feels that it may be considered by the National Commission on Labour, which may evolve a workable formula in this regard.

### Incentives And Productivity

1. The Study Group recommends that steps should be taken to evolve productivity agreements between managements and workers. In its very nature such an agreement cannot be a general one applicable to all units in the industry; but it should be tailored to the individual circumstances of particular units and take account of such aspects as geological features, working practices, levels of pay and other criteria suggested above. The scheme should apply both to direct and indirect or productive or non-productive workers, as workers in administration and sales and other direct activities have an important role in promoting productivity. The Expert Committee set up by the Coal Development Council may take initiative in this matter.

2. As a first step in formulation of such schemes, method studies may be conducted in regard to specific operations with the assistance of the C.M.R.S. and, where possible, individual or group incentives introduced to eliminate factors that cause waste of time.

### Social Security

1. It is desirable that all investible surpluses of Provident Fund are invested in securities guaranteed by Central Government earning the best rate of interest. The relevant rules laying down the pattern of investment should be amended accordingly.

2. The administration of the C.M.P.F. Scheme should be streamlined in order to ensure timely recovery of contributions and prompt payment to the beneficiaries. One of the methods of streamlining the procedure may be to introduce a system of Pass Book for each worker in which the credits should be posted regularly by the office of C.M.P.F. Commissioner.

3. The scheme of gratuity for coal mine workers recommended by the Central Wage Board on Coal Mining Industry should be implemented early. This should be financed by the levy of cess similar to that recommended by the Wage Board.

4. After the gratuity scheme has been introduced, a comprehensive Social Insurance Scheme should be drawn up which may be financed by pooling together the gratuity fund, provident fund and any other benefit

fund in existence. The scheme should cover pension, life insurance and accident benefits.

5. The handing over of Social Security Scheme to trade unions would be a welcome feature, but it is not

immediately possible due to multiplicity of unions. However, workers' unions should be increasingly associated with the working of Social Security Schemes.

## MOTOR CAR QUALITY ENQUIRY COMMITTEE, 1967—REPORT

New Delhi, Ministry of Industrial Development and Company Affairs (Department of Industrial Development), 1968. 97p.

Chairman : Shri G. Pande.

Members : Brig. T.B. Poduval; Shri R.K. Sethi; Shri B.S. Krishnamachar; Dewan Rahul Lall.

Member-Secretary : Shri N.T. Gopala Iyengar.

### APPOINTMENT

There is a general complaint about the quality of motor cars manufactured in India and whereas the Central Government is of the opinion that in respect of the scheduled industry engaged in the manufacture and production of Motor Cars in India, there has been a

marked deterioration in the quality of motor cars manufactured in the said industry which could have been avoided.

Now, therefore, in exercise of the powers conferred by Section 15 of the Industries (Development and Regulation) Act, 1951 (65 of 1951), the Central Government in the Ministry of Industrial Development and Company Affairs (Department of Industrial Development) hereby appoints for the purposes of a full and complete investigation into the circumstances of the case (including the aspects specified in the schedule) a body of persons, to be known as the Motor Car Quality Enquiry Committee Vide their Resolution No. 1 (95)/67-A.E. Ind. (I), dated July 11, 1967.

### TERMS OF REFERENCE

1. The extent of the deterioration in the quality of motor cars manufactured and produced by each of the industrial undertakings pertaining to the scheduled industry engaged in such manufacture and production;

2. The circumstances in or on account of which such deterioration has taken place and the reasons therefor;

3. Whether each of the said undertakings has laid down minimum standards of quality and performance;

(i) For the raw materials, components and sub-assemblies used in the manufacture and production of motor cars; and

(ii) For the motor cars manufactured by them, and the extent to which and manner in which such minimum standards are ensured;

4. Whether the equipment, facilities and arrangements available at each of the said undertakings of the proper testing and inspection;

(i) Of the raw materials, component parts and sub-assemblies at the different stages of manufacture and assembly, and

(ii) Of the assembled cars prior to their sale, are adequate and the extent to which they are made effective use of; and whether additional facilities and arrangements either by way of augmentation of the existing facilities or otherwise are required in order to ensure better inspection and quality control;

5. Whether, and if so the extent to which, the deterioration in the quality of cars is attributable to the sub-standard materials or components supplied by the indigenous, ancillary and other industries and whether any steps are to be taken to enable the manufacturers of the said undertakings to secure the said materials and components consistent with the minimum standards of quality and performance required of them;

6. The nature and effectiveness of the warranties regarding the quality and performance of cars given by each of the said manufacturers; the adequacy of the arrangements made by each of them directly or through their dealers or other agents in respect of after sales service, maintenance and repair facilities and the promptness with which and the terms on which defects

for which manufacturers are directly or indirectly responsible are remedied;

7. Apart from the arrangements made by the manufacturers themselves for quality control and inspection, whether it is necessary and feasible for the Central Government to take any steps to ensure that minimum standards of quality are maintained by the said manufacturers, and, if so the nature of the steps to be taken.

## CONTENTS

Introduction; Methodology; Development of the Motor Car Industry; Quality of Cars Made in India; The Ambassador Car—General; The Ambassador Car—Analysis of Complaints; The Fiat Car—General; The Fiat Car—Analysis of Complaints; The Standard Herald Car—General; The Standard Herald Car—Analysis of Complaints; The ancillary Industry; Raw Materials; Quality Control; Standardization, Research and Training; Short-term and Long-term Solutions for Restoring Quality; Warranty; Dealers; Special Aspects—Associations, Labour, Safety, Incentives; Summary of the Report; List of Recommendations; Conclusions; Acknowledgements.

## RECOMMENDATIONS

The nature and the extent of the defects leading to the deterioration in the Quality of the Ambassador, Fiat and Standards Cars, have been dealt within Chapters, 6, 8, and 10 respectively. In Subsequent Chapters, steps to be taken to arrest the present deterioration in the quality of these cars have been dealt with. In Chapter 15, the short-term and long-term measures to be adopted have been outlined. In this chapter, major recommendations made in this report are presented in a consolidated and Summarized form for quick reference. For full details the relevant chapters may be consulted. The recommendations have been grouped under four heads, depending upon the party with which they are concerned, namely Car Makers, Ancillary producers, Dealers and the Government.

### Concerning Car Makers

1. The management should become fully quality conscious and in still this consciousness at all levels of their staff and workers, through periodical lectures, demonstrations, circulation of pamphlets, awards, and incentives.

2. The managerial staff should be given training in one of the organized institutes on modern management techniques.

3. Training courses in inspection and quality control techniques for the staff posted in these departments

should be organised along with periodical refresher courses.

4. A separate Inspection Department manned by well qualified personnel should be established in each plant and should be directly responsible to the top management.

5. There should be a separate Quality Control Department manned by properly qualified personnel.

6. Every Plant should have a Company Standards Department to liaise with the Indian Standards Institution and also to lay down required company standards.

7. Proper inspection and Statistical Sampling procedures and statistical quality control methods should be evolved for adoption in the three plants.

8. Statistical control methods should be employed from the inspection of the incoming raw materials and components, through the assembly lines and right upto the finished products.

9. Indian Standards for raw materials, components, statistical quality control methods and test procedures should be followed wherever they exist. Raw materials and components carrying the ISI Certification Mark should be purchased wherever they are available.

10. Every plant should have adequate testing facilities for raw materials and components.

11. Test rigs for testing of performance requirements of components should be installed. Samples of bought-out components should also be continuously tested on test cars and test tracks. Adequate number of test cars should be earmarked for this purpose.

12. The layout of some of the departments of the car makers should be revised whenever an opportunity arises to enable smooth flow of materials and components and to avoid duplicate handling.

13. A Research and Development Section should be established at each of the plants for re-designing components, developing new designs and analysing defects with a view to taking corrective measures.

14. The spare equipment capacity available should be allowed to be utilized by other plants/ancillary producers.

15. Detailed and specific requirements of standards should be furnished to the ancillary producers in addition to making available to them the testing facilities at the car maker's plant.

16. Proper and uniform purchase and payment policies and contractual agreements should be laid down between the car maker, the ancillary producer and their suppliers, on along term basis. Necessary provisions for penalties and compensation for non-completion should be introduced in these agreements to ensure consistency.

17. All materials should be accepted after proper snipection and testing, and not on the basis of previous

supplies or brand names.

18. A thorough pre-delivery inspection of all cars should be made by the car maker before delivery to the dealer.

19. No car with deficient supplies of parts should be sold to the dealer. Cars should have the stipulated service tools of proper quality.

20. Tamper proof speed governors should be fitted to the cars to minimise reckless driving of the cars from the car maker's plant to the dealer's establishment.

21. Proper procedures for preventive maintenance and timely repair of machinery and equipment should be laid down.

22. A proper system of collection of field data with regard to the performance of passenger cars should be evolved so that information regarding complaints, defects and failures is fed back to the car maker with a view to analysing their causes and also for taking corrective measures.

23. The warranty with which cars are sold should be uniformly valid for a period of 12 months or a distance covered of 16,000 kilometres, whichever occurs earlier. Also, all defects due to faulty manufacture or bad workmanship should be rectified and defective parts replaced during this period without passing any part of the burden, including incidental charges, to the customer.

24. Car makers should evolve a proper procedure for disposal of rejected material and parts so as to ensure that they do not find their way back to their plants.

25. The car makers, together with the ancillary producers, should try and develop as many interchangeable Components as possible for the three cars in order to increase productivity, reduce cost and improve quality.

26. The dealer's workshops should be visited periodically by the car maker to ensure that the spare parts that go into the original equipment are being stocked, for use during the warranty period.

27. When defects in critical components are reported from the field, the owners of all cars from that batch should be notified so that the cars are brought immediately to the nearest dealer's service station for check and rectification of defects.

28. The car makers may be induced to give up the production of certain components which they are currently manufacturing, which could more profitably be manufactured by the ancillary producers.

#### Concerning Ancillary Industries

Many of the recommendations made for car makers apply equally to the ancillary producers also. For case

of reference such common recommendations have also been reproduced below along with other recommendations which relate specifically to ancillary producers.

1. The management should become fully quality conscious and in still this consciousness at all levels of their Staff and Workers, through periodical lectures, demonstration circulation of pamphlets, awards and incentives.

2. The managerial staff should be given training in one of the organized institutes on modern management techniques.

3. Training courses in inspection and quality control techniques for the staff posted in these Departments should be organized along with periodical refresher courses.

4. A Separate Inspection Department manned by well qualified personnel should be established in each unit and should be directly responsible to the top management.

5. There should be a separate quality control department manned by proper qualified personnel.

6. Each unit should have a Company Standards Department to liaise with the Indian Standards Institutions and also to lay down required company Standards.

7. Proper inspection and statistical sampling procedures and statistical quality control methods should be evolved for adoption in each unit.

8. Statistical quality control methods should be employed from the inspection of the incoming raw materials and Sub-components through the assembly lines and right upto the finished products.

9. Indian Standards for raw materials and sub-components, statistical quality control methods and test procedures should be followed wherever they exist. Raw Materials and sub-components carrying the ISI certification mark should be purchased wherever they are available.

10. Each unit should have adequate testing facilities for all raw materials and components. Alternately, where possible, a group of ancillary units should establish testing facilities for use by all of them.

11. Test rigs for testing of performance requirements and evaluating the life of the components should be installed.

12. A Research and Development Section should be established at each unit for re-designing components, developing new designs and analysing defects with a view to taking the ancillary industry and their suppliers.

13. Proper and uniform purchase and payment policies and contractual agreements should be laid down between the ancillary industry and their suppliers.

14. All material should be accepted after proper

inspection and testing and not on the basis of previous supplies or brand names.

15. A proper system of collection of field data with regard to the performance of their components should be evolved so that information regarding complaints, defects and failures are fed back to the producer with a view to analysing their cause and also for taking corrective measures.

16. The ancillary producers together with the car makers should try and develop as many interchangeable components as possible for the three cars in order to increase productivity, reduce cost and improve quality.

17. Proper procedures for preventive maintenance and timely repair of machinery and equipment should be laid down.

18. The All India Automobile and Ancillary Industries Association should devise ways and means to make its constituents observe the code of conduct evolved by it under pain of being disaffiliated under public notification if there is a breach of it by any producer.

#### Concerning Dealers

1. Every dealer should have proper equipment and adequate facilities for servicing and repair of the cars as recommended by the car maker.

2. A dealer should have adequate stock of such parts as are used in the original equipment and should use no others for replacement of defective parts during the warranty period.

3. The pre-delivery inspection should be thoroughly done and all defects rectified before delivering a car to the customer.

4. The dealer should make available a list of charges for standard jobs to the user.

5. The dealer should ensure that the cars transported by road do not exceed the speed limits specified by the car maker to minimize defects arising during their transportation.

6. The dealer should be given full authority to settle complaints regarding defective parts irrespective of the agreement that the car maker might have obtained/entered into with the concerned ancillary suppliers and thus ensure that complaints are attended to promptly without the customer having to wait for long period.

7. The dealer should maintain proper records of complaints received from car users and the action taken.

#### Concerning The Government

1. The Indian Standards Institution should be requested to formulate, on priority basis, standards for

raw materials and components with the assistance of the car makers, ancillary producers and their suppliers.

2. The car makers should be directed to adopt and implement Indian Standards as and when these are formulated.

3. ISI Certification Marks Scheme should be made compulsory for all the ancillary producers on the basis priorities to be established.

4. The public sector steel plants should be directed to make available raw materials of the qualities required by the industry irrespective of the qualities involved.

5. The fabrication of special two-tier bogie wagons for transporting multiple cars by rail should be expedited.

6. The Government should stop assistance to the ancillary producers whose products are found consistently sub-standard and take other corrective action. They should also not be permitted renewal of their foreign collaboration if any.

7. All the three car makers should be directed to sell cars under a warranty which should be uniformly valid for a period of 12 months or a distance covered of 16,000 kilometres, whichever ever occurs earlier also, all defects due to manufacture or workmanship should be rectified and defective parts replaced during this period without passing any part of the burden, including incidental charges, to the customer.

8. In order to ensure that the car makers and the ancillary producers adopt the relevant recommendations enumerated above technical audit cells should be set up in the car makers plants and also in the ancillary producers units, individually or collective, as considered necessary with a view to arresting the deterioration of quality and giving trouble-free service to the customers.

9. Foreign exchange should be made available more liberally for purchasing such raw material/components of the required quality as are not available at present in the country and the industry should be assisted in getting their men trained in overseas countries.

10. The Government may also consider permitting the car makers to manufacture "deluxe model" without price and distribution control, to provide necessary incentive for technological development, and also for improving the quality of the cars which are now being manufactured.

11. The Government should assist/in the early setting up of the co-operative research and development organisation for the automobile industry which has already been agreed in principle. Till such time as this organisation is set up, the facilities for testing of cars available with the Ministry of Defence should be utilized by the car makers.

12. The Government may also consider giving a rebate on the taxes to the car makers and the ancillary producers in proportion to the expenditure on inspection and quality control.

13. Government should consider imposing stricter driving tests before driving licences are granted.

#### Conclusion

The main tasks assigned to the motor car quality Enquiry Committee were to find what was wrong with the cars currently being made in the country how their quality could be improved and how better user satisfaction could be achieved. In fact the committee was well aware from the very commencement of its work that it would not be easy to find any quick solutions to these problems although it was possible to pin point the defects and locate the areas where they were pronounced. At the end of the detailed study the committee's expectations and fears have been proved right. However, certain short term and long term measures have been indicated and a number of recommendations made which when implemented must bring some substantial improvements in the cars that are currently being produced and thereby afford adequate relief to the car users. It must be admitted that the making of a passenger car is a complicated and risky business and that utmost care has to be exercised in its manufacture. What is actually needed, at the moment in the country, is a change in the whole outlook of the car makers and the ancillary producers, a pride in their profession and a determination on the part of the

management to set things right.

The committee has not been able to recommend any relief to those who are already in possession of the cars manufactured in the recent past except that, with a change in the outlook and spirit of the car makers and the dealers, they should be able to get a better deal, at least in the future.

The Committee feels that it will not be out of place to mention again that it had to refrain from straying into the field of protection, costs and other allied major policies of the Government in connection with the car industry and had, therefore, to confine its work mainly to the sphere of how to build a better car in the existing conditions.

In the country today the passenger car enjoys a low priority in the schemes of our development and it is very difficult to make any accurate prediction of what the future has in store for it, judging by the trends elsewhere, with the coming of prosperity, a big development is bound to take place in this sector here also and the automobile industry will have to play its proper role. Therefore, this industry even today must put its house in order and adopt all the modern means for quality production, not only to attain industrial efficiency, but also to give the maximum consumer satisfaction. It will be only thus that they will be able to carve a safe place for themselves in the scheme of things to come and contribute to national prosperity.

The committee cannot forecast what the various interests will do but has concluded its task in the hope that something good will come out of its labours.

## COMMITTEE OF ENQUIRY INTO THE EXPENSES OF THE LIFE INSURANCE CORPORATION OF INDIA, 1967—REPORT

Delhi, Manager of Publications, 1969. 2 parts.

Chairman : Shri R.R. Morarka.

Members : Shri Ravindra Verma; Prof. G.S. Diwan.

Member-Secretary : Shri M.J. Rao.

#### APPOINTMENT

The Expenses of management of Life Insurance Corporation of India have been high, particularly

recently. In view of the fact that economy in management is of utmost importance in life insurance. The Government of India, Ministry of Finance, Department of Revenue and Insurance appointed the Committee to investigate this question in all aspects and suggest measures for achieving economy wide their Resolution No. F. 7(2)INS. 11/67 dated July 21, 1967.

## TERMS OF REFERENCE

To investigate into the causes of the present high level of expenses of the corporation as indicated by its renewal expense ratio, and to recommend measures, administrative or otherwise to bring it down to reasonable levels so as to subserve the maximum interest of the policy holders.

## CONTENTS

Part I: Indices of Expenses; Trends of L.I.C's Expenses; Level of LIC's Expenses; Section 1. Travelling Expenses; Section 2. Medical Fees; Minor Heads of Expenses; Section 1. General Considerations; Section 2. Printing and Stationery; Section 3. Postage, Telegrams, etc.; Section 4. Rents; Section 5. Tabulating Machines; Section 6. E.D.P. System; Section 7. Publicity Expenses; Section 8. Telephones; Section 9. Staff Medical Recreational and Other Expenses; Reinsurance; Accounts; Internal Audit, Inspection and Organisation and Methods Department; Premium Rates, Autonomy and Public Accountability; Organisation and Reorganisation; General Insurance; Major Causes of the Rise in the Level of Expenses and Extent of Possible Savings; Section 1. Major Causes of the Rise in the Level of Expenses; Section 2. Extent of Possible Savings; Summary of Main Conclusions and Recommendations; Part II : Appendices from I to 59.

## RECOMMENDATIONS

The Renewal Expense Ratio (RER) can not be accepted as a proper standard or index of expenses for the following reasons :

(i) The RER does not correctly indicate the level of the cost of renewal administration;

(ii) The variations in the RER may be misleading; being not necessarily or wholly due to similar variations in the basic cost ratios; consequently it is not a valid standard for comparison;

(iii) The RER is likely to lead to subordination of considerations of economy in planning for and securing new business, when the New Business Cost Ratio (NBCR) is consistently less than the New Business Expense Allowance (NBEA) over a period of time. This subordination may ultimately lead to a rise in the expense level and, therefore, to a rise in the RER itself;

(iv) It is more difficult for insurers transacting quality business to achieve the same or lower RER than for other insurers; consequently the RER tends to make the insurer lukewarm towards the growth of renewal premium;

(v) Under certain circumstances, the RER gives values that can only be described as fantastic. It may even be negative, implying that the management of

renewal business not merely does not require any expenditure but produces an income;

(vi) The RER does not give a correct standard for the provision for future expenses to be made in the valuation.

The RER may be divested for the statutory status it enjoys today. The present rule 25 (b) of the Insurance Rules, 1939, which gives this status to the RER, may be amended, and instead of the RER, the following particulars may be required to be given by the valuing actuary.

"25 (b) (i) A statement giving a measure of the strain; if any, arising out of the new business as a percentage of the corresponding first year premium, explaining in detail how this is calculated, and showing what provision, if necessary is made in the valuation in respect of the similar strain arising in future in respect of the future new business.

(ii) A statement comparing the mortality experience of the last inter-valuation period with that expected on the basis of the mortality table used in the valuation. (The method used in compiling the statement should be explained).

(iii) An analysis of the consolidated expenses for the whole of the last inter-valuation period giving the new business and the renewal cost ratios calculated in accordance with the method recommended in Chapter IV of this Report."

(a) Though the renewal expense ratio is a defective index of the level of expenses, the present high level of expenses as indicated by it is confirmed by a more reliable index, viz., the cost ratios. Further, whatever method of analysis is used, the budget method or the actuaries' method, the present high level of expenses is confirmed by both.

(b) It is not possible to explain fully the variations in the overall expense ratios or the renewal expense ratios for the various periods except with reference to the basic cost ratios and the new business expense allowance (NBEA). Further, neither the Overall Expense Ratio (OER) nor the RER by itself gives us any reliable indication of the expenses of the Corporation.

(c) Variations in the cost ratios can be explained completely with reference to item-wise cost ratios. This enables the causes of the variations to be studied fully. Cost ratios are particularly useful from this point of view, besides furnishing a more reliable measures of expenses.

(d) Apart from self-regulatory expenses (like Commission, policy stamps etc.), staff emoluments account for the major portion of expenses, and the variations in the cost ratios are to be large extent due to variations in staff emoluments,

(c) The increases in procurement, staff emoluments and administrative staff emoluments contribute to an increase in the basic cost ratios, unless they are contained by increasing premium, during the corresponding period in the first year and total premiums respectively.

(f) The period 1959 to 1961 is one of favourable experience while that of 1964 to 1968 is one of adverse experience with regard to expenses for the L.I.C. The favourable experience of 1959 to 1961 is largely due to the introduction and extension of non-medical schemes, and to the comparatively large increase in new business in those days. From 1-4-1964 to 31-8-1967 the cost ratios continuously increased, largely because the staff emoluments increased substantially, and there was no adequate growth in the premium income. The year 1967-68 showed no further increase in the cost ratios, but the payments to staff for this year have been or may have to be made subsequent to the closure of the accounts for this year.

The management of L.I.C. should be constantly guided by the need to work at as low a level of expenditure as possible, as well as the need to work within the prescribed limits of expenses.

A more or less permanent machinery should be set up to examine the various aspects of Modern Management Techniques such as Work Measurement, Functional Cost Analysis, etc., with a view to applying them, with due caution and safeguards to the corporation's activities.

The Corporations should take all possible steps to create and maintain a climate that is conducive to the success of modern management techniques by introducing these techniques while concurrently carrying on an effort to educate the workers and all echelons of management of the effectiveness, inescapability and progressive nature of modern techniques of business management.

The Proviso to Section 40 (B) (2) of the Insurance Act, 1938 should cease to be applicable to the L.I.C.

It should be the duty of the Controller of Insurance to function as an evaluating officer who continuously studies the working of the L.I.C. in all its aspects and assess the economic efficiency of the undertaking and its achievements and failings in terms of the objectives of nationalisation. As the officer responsible for the vigilance and evaluation, he should be charged with the duty to draw the Governments' attention to the kind of directives that the corporation may need from time to time.

The present rule 17 D of the Insurance Rule should cease to be applicable to the L.I.C. and instead, the following procedure should be prescribed :

(a) The revenue expenses of the Investment Depart-

ment (including the Mortgage Department) and Building Department should not be included in the Expenses of Management, but should be debited to income from interest and rents. The figures of the interest earned, dividend collected and rent realized, and the respective deductions made from each of these should be shown separately in the annual revenue account.

(b) The corporation should appoint a Committee of experts to make a detailed investigation into its expenses of management once in every five years. The first Committee of this kind should be appointed as soon as possible.

(i) This investigation should mention the different types of policies in respect of which there is reason to believe that expenses are incurred at a rate materially different from that broadly applicable to the major group of policies.

(ii) The investigation should evolve a set working rules to allocate different items of expenditure, as accurately as practicable, between first years and renewal expenses.

(iii) The investigation should give formulate expressing, as closely as possible, first year expenses in a year as an aggregate of percentage of the first year premium received in that year under the major group and under the different types of policies referred to in (i) above; a similar formulate should be given for renewal expenses.

Note: (1) The percentages in the formula for the first year and the renewal expenses applicable to the major group or the New Business Cost Ratio (NBCR) and Renewal Cost Ratio (RCR) respectively. All other percentages applicable to the different types are referred to as special percentage.

2. In the case of policies where no further premiums are payable, the corresponding (Special) percentages may be of sum assured, number of policies or amount of annuities paid (instead of premiums).

(iv) The Corporation should forward the report of this Committee of experts, along with its own comments on the report to the Government. Government may, if necessary, direct such modifications as it deems fit to be made in the set of working rules, special percentages, and, as a consequence, in the NBCR and RCR.

Government should prescribe appropriate limits separately for special percentages and NBCR and RCR on the basis of the report of the Committee, revised in accordance with the modifications, if necessary.

These limits should be in force for a period of five years. They should be revised every five years on the basis of the five yearly investigations.

(v) The actual expenses of every year should be analysed into first year and renewal expenses, and the



actual NBCR and RCR for the year should be calculated according to the approved set of working rules and the prescribed special percentages in respect of the different types of policies. The prescribed limits of the NBCR and RCR should apply to these actual NBCR and RCR.

(vi) Every year, the Corporation should publish an analysis of its expenses during the year in accordance with what we have suggested in the preceding paragraph, and explain the variations in the cost ratios from year to year with reference to the itemwise cost ratios, giving reasons for the increases or decreases in the latter.

The approved set of working rules should be published along with the analysis for the year in which they are first adopted. Whenever the approved set of working rules is changed, in the first year in which a new set of rules is introduced, the analysis should be made both in accordance to the old rules and the new rules.

(vii) For the interim period, until decisions are taken by the Government on the first of the five-yearly investigations the Committee recommends the following limits for the NBCR and RCR calculated according to the budget from analysis for 1967-68.

	NBCR	RCR
Limits	75 per cent	20 per cent

These limits may be revised by the Government even during the interim period, in light of any changes that may occur either as a result of the other recommendations of the Committee or otherwise.

(viii) Though separate limits for the NBCR and the RCR are prescribed in (iv) and (vii) above, the corporation should not be deemed to have transgressed the limits, if its NBCR is within the prescribed limit and the total expenses on the basis of the prescribed limit are within the total permissible RCR, even though expenses on the basis of the prescribed NBCR and the limit on the RCR might have been exceeded. Sec. 40 (B) of the Insurance Act, 1938 may suitably modified.

A Committee of Actuaries appointed by the Corporation should decide the basis of valuation to be adopted for each statutory valuation under Section 26 of the L.I.C. Act.

With a view to providing an adequate procedures suitable to the altered circumstances, for the purposes served by Section 64 K of the Insurance Act 1938 and Rule 17G of the Insurance Rules 1939 which formerly applied to private insurers.

(a) Provision should be made for the following investigation to be made and reports on them to be separately filed with controller :

(i) Analysis of surplus disclosed by the valuation ;

(ii) Estimate of the rate or rates of bonus that can be maintained in future in respect of the existing policies, on the basis of the reserves provided in the valuation and under existing conditions of mortality, interest and expenses ;

(iii) Estimate of the rate or rates of bonus that can be earned in respect of the new with-profit endowment assurance and whole life business at current rates of premium under existing conditions mortality, interest, expenses and distribution of new business;

(iv) Estimate of the margin available in the current without profits rates of premium under existing conditions mortality, interest, expenses and distribution of new business ;

(b) The Committee of Actuaries referred to in Recommendation above should decide the technical procedures to be adopted for investigations provided in (a) above and under rules 25 (b) (i) and (ii).

The Corporation should define methods for fixing business targets on a scientific basis and ; if necessary, formulate these methods with the assistance and co-operation of agencies like institutions of research.

The corporation should take steps to collect the necessary data on the departmentwise estimates and actuals for the expenses on the salaries and other emoluments paid to various categories of staff. The inspection and Internal Audit Units should ensure that these data are collected and put to appropriate use.

The budget of the Building Department should be more carefully scrutinised at the stage of formulation with a view to ensuring that actuals do not vary unreasonably from the estimates included in the sanctioned budget. The Corporation should also take steps to ascertain the extent of surplus staff in the Department and ensure that the staff strength at various levels in the Department does not exceed what the work-load warrants.

The income from investment activities should be shown net of expenses, and not as gross income as is being shown in the income side of the Revenue Account today. In the same way the expenses of this Department should be clearly shown on the expenditure side of the Accounts of the Department. The budget of the Corporation should be prepared in three parts. "Life Insurance, General Insurance and Investment (including Building and Mortgage Departments)."

The Corporation may take immediate steps to introduce a system of full-fledged budgeting at the Branch level so that the Branch budgets can provide the basis for integrated higher level budgets and expenditure control and evaluation at all levels.

All suggestions made at the Meetings of the Committee and/or the Board should be examined by the Corpo-

lity of issuing index-linked policies and investing the entire reserves under such policies in index-linked securities to be issued by Government. The Government may consider the feasibility of issuing index-linked securities that can provide the necessary support to the index-linked policies that the L.I.C. may decide to issue.

The appraisal years of agents and Development Officers should be spread evenly throughout the year.

Officers of the rank of Divisional Managers and above may be brought under a separate cadre with an appropriate designation, e.g., Cadre of Executives, while others continue to be referred to as 'Class I Officers'.

The Corporation may examine whether the cadre of Administrative Officers can be abolished without impairing the promotional prospects of subordinate cadres and/or increasing the expenditure on these cadres.

The Corporation may examine whether the post 'Superintendent' can be abolished in due course without impairing the promotional prospects of the employees of subordinate cadres in Class III.

No efforts were made to assess the extent of surplus either before or soon after the L.I.C. commenced its work. If such a study had been conducted, the L.I.C. might have been able to identify and utilize the surplus in the new offices that were opened after the establishment of the Corporation. Moreover, there might have been obstacles in the way of transferring surplus staff from the places where the erstwhile insurers had offices to the new places where the Corporation was establishing new Branch and Divisional Offices. Due to all these difficulties the surplus staff existing on the date of the establishment of the Corporation might not have been put to full and effective use, and this might have added to the avoidable expenses of management.

The extent of surplus in staff is of the order of about 25 per cent. Taking the total salary bill of the Corporation of the administrative staff during 1967-68 of Rs. 23 crores, a surplus staff of even 25 per cent will mean an excess expenditure of about Rs. 6 crores per year.

The Corporation should take immediate steps for measuring work and arriving at "norms" for all kinds of work that are enable to measurement. The Corporation may, if necessary, take the assistance of any expert outside body that may be able to help in this exercise. Till the results of this study are available and the extent of "surplus" has been determined and located, no further recruitment should be made.

The Corporation should devise a suitable system of incentives/disincentives for warding or punishing work that is above or below the norms that are fixed. The

system should give no room for suspicion of partiality or prejudice, and should be capable of easy application.

Measures should be taken to ensure that all the jobs envisaged for machines in the Machine Manual are put on the machines without any further delay. The Corporation should also examine whether the full utilization of machines cannot be ensured by putting further jobs that can be mechanized on the machines that are already available.

The duration, content and techniques of training for the different cadres of Officers should be continually reviewed to improve their efficiency and productivity.

Class I officers who are to be promoted should also be asked to appear at an interview, and the selection should depend not only on their Confidential Reports but also on their performance at the interviews.

Frequent transfers of employees should be avoided unless there are exceptional circumstances, an employee should be allowed to remain at a place for at least four years. Though we cannot accept the contention that the Corporation should not exercise the right to transfer employees to any place in India provided in staff Regulations (1960) No. 80, we feel that the exercise of this right should be tempered with considerations of the economic hardships that the transfer may occasion and other humanitarian considerations that may arise. These considerations should give due regard to the economic hardships that the transfer may occasion and other humanitarian considerations that may arise. These considerations should give due regard to the class of the employee who is being transferred.

The Corporation should take the earliest opportunity to revise the criteria for house rent allowance, with a view to ensuring that the amount of allowance paid is in no case higher than actual rent paid.

We do not see any reason to recommend that there should be rigid parity among pay scales of corresponding ranks in L.I.C. State Bank of India, and Reserve Bank of India or any other public undertaking, irrespective of considerations of the capacity of the organisation to pay.

The Corporation should take immediate steps to evolve a suitable formula to fix the cadre strength for the I.H.O and I.B.O. Units and reduce the staff of these units in accordance with this formula.

Full powers provided in Regulation 39 should be invoked to deal with indiscipline and, if necessary, Regulation 39 should be suitably amended to remove ambiguity in identifying indiscipline and inefficiency and to enable the authorities to take prompt and effective action when the seriousness of the indiscipline or inefficiency warrants or demands it.

We understand that the Corporation has set up a

machinery for dealing with the grievances of employees. The necessity for a cordial and meaningful dialogue between the employer and employees cannot be over emphasized. The Corporation should, therefore, set up a Joint Consultative Machinery.

Joint Consultative Committees should be established at the Divisional level and later at the Branch level.

Since the differences between the Blue Order and the Appointment Letter appear to have given rise to misunderstandings the Corporation should take the earliest opportunity to revise the appointment letter and ensure that it conforms to the Blue Order.

The schemes of temporary increments and multiple increments should not be revived.

The net increase in the total premiums, collected under the Development Officer's organisation (adjusted for claims and premiums ceasing under whole life limited payment policies) should be regarded as one of the factors that should determine the incentive bonus. The actual amount of the incentive bonus (commission) to a Development Officers should be arrived at after taking into consideration all the factors referred to in Para 7 (2) of the Blue Order, besides the net increase in total premiums.

During each year as Development Officer should secure assurances on a minimum number of 180 lives, or twelve times the number of agents working under him, whichever is higher. While this number should be the minimum for the last slab of the salary scale, the minimum number should be correspondingly increased for the higher slabs in the salary scale.

The Corporation should fix suitable norms for the new sum assured that should be procured through Development Officers, and should strictly enforce the norms that they may decide to prescribe.

For calculating the cost ratio of a Development Officer all emoluments paid to him should be taken into account.

The total emoluments of Development Officers, whose cost ratios, based on the entire cost incurred on them, has been more than 40 per cent in the immediately preceding appraisal year, should be immediately brought down to ensure that the reduced cost incurred on them works out to 40 per cent of the Scheduled Premium Income during that appraisal year. If the Development Officer is not agreeable to this arrangement his services may be terminated, as it would then be obvious that he is not interested in the job.

There are some Development Officers who are between the two extremes referred to above. Though their performance cannot be considered satisfactory, it is reasonable to give them same time to improve their performance. Accordingly the Development Officers whose

cost ratios have been between 15 per cent and 40 per cent during the immediately preceding appraisal year, or officers whose emoluments have been adjusted as stated above, should be given a maximum period of 4 years to bring down their cost ratios to within 15 per cent. In the case of Development Officers who have thus been given periods exceeding one year, the reduction in the cost ratio to 15 per cent should be effected by suitable stages so that the reductions go on diminishing in successive years. It at the end of any year during this period, the cost ratio of any Development Officer is above the stage fixed for that year, his total emoluments, inclusive of all cost incurred on him, should be reduced so that the cost ratio based on the reduced emoluments is within the limits fixed for that year.

When the period of transition ends, the cost ratio of Development Officers including incentive bonuses should not exceed 15 per cent. In case the Scheduled Premium Income of a Development Officer is not upto the standard on the basis of the 15 per cent cost ratio, it would be necessary that the excess amount paid to him (i.e. in excess of what is justified by the Scheduled Premium Income brought by him) should be recovered from him either in a lump sum or in instalments over the following year. This would only mean that in the following year too, the Development Officer's gross emoluments remain at the same level as in the previous year. Hence in order to be within the cost ratio of 15 per cent in the succeeding year as well he would have to produce a Scheduled Premium Income that justifies his emoluments. As an alternative, he may be given the option to have his gross emoluments in the following year reduced suitably to keep him within the cost ratio of 15 per cent.

A Development Officer may have a maximum of 15 agents under him. It may, sometimes, happen that a Development Officer already has more than 15 agents in his organisation. In that case, it is not our intention to put him at a disadvantages by suggesting any reduction. If any Development Officer has more than 15 agents, he may be allowed to maintain the same strength of agents.

Credit should be given to the new Development Officer only to the extent of the excess of the business done by the allotted agent over the previous 3 years' average.

When an agent completes five years of work, the Corporation should examine whether he continues to require the help and guidance of a Development Officer and if it is found that the agent can work efficiently on his own, he should immediately be appointed a 'Direct Agent', keeping in view the number of agents in the demarcated areas and its effect on the concerned Development Officers.

Development Officers too should render such services to policy-holders as may be decided upon by the Corporation.

The Corporation, with its monopoly to transact life insurance business in India, has *prima facie*, a very large agency force. The present Agency force of the Corporation needs a through review and scrutiny with a view to building up a stable cadre of real agents and weeding out the transient and the inefficient.

To avoid a large and disproportionate turnover in the agency force and to avoid consequent wastage, the Corporation should fix a limit to the total number of agents it wants to have at any one branch at any one time, and regulate its recruitment of agents on the basis of this number.

The practice of visiting agents, i.e., agents attached to one Branch doing business at places that they are temporarily visiting may be discontinued. The following alternative arrangements may be made.

Where a Branch has an exclusive territorial jurisdiction, its total areas may be divided into a certain number of districts or countries. The area of each demarcated district or country should be so determined that the estimate of its insurance potential assures enough work for three agents, and only three agents should be appointed within such a demand area. The agents residing within such a demarcated area should work only within such a demarcated area. Other agents attached to the Branch will work within the remaining undemarcated area of the Branch. No agent attached to any one Branch with an exclusive territorial jurisdiction may work outside this jurisdiction. Agents attached to Branches having a common area with other Branches should not work outside the total common area which forms the territorial jurisdiction of these Branches.

The minimum new business guarantee should be exclusively for life business and it should not be relaxed on the ground of good performance in general insurance business. If an agent is appointed for both types of business, life and general, his contract for life insurance business should stand terminated if the minimum new business requirement for life business is not fulfilled, irrespective of the magnitude of his general insurance business.

Agents should be classified as 'rural' or 'urban' according to their usual places of residence. For deciding the rural and urban character of a place, the definition used in the latest census should be adopted. Further, data relating to agents should be collected separately for rural and urban agents.

The minimum business of an agent should be fixed at policies on 12 different lives in any agency year, assuring a sum of Rs. 60,000 for urban business and Rs. 30,000 for rural business. During the course of the

next 4 years, the minimum limit may be stepped up Rs. one lakh for urban business and Rs. 50,000 for rural business by stages. Where the agent's business is partly rural and partly urban, the total sum assured under the urban business to a together with twice that under rural business should be at least equal to Rs. 60,000.

The minimum business guarantee for Sum Assured should be insisted upon, on an average every two years. If the agent fails to satisfy the above new business criteria in any year, his appointment should be terminated, and terminated agents should not be re-appointed.

During the first agency year of an agent, the criterion for minimum new business procurement need not be enforced.

Agents should be required to pass an examination within 5 years of their appointment. If any agent does not pass the examination within this time, his appointment should be terminated, and such terminated agents should not be reappointed.

Every agent should have an opportunity to pass the examination in the language of his choice, and consequently efforts should be made to conduct the examination in English, Hindi or any of the regional languages.

(i) The appointment of existing agents who have not secured even one policy during their latest full agency year should be terminated forthwith, and such agents should not be reappointed except under exceptional circumstances.

(ii) Existing agents who have secured during the last 3 agency years, on an average, a yearly new business of Rs. 75,000 (Rs. 40,000 in the case of agents working in areas with population of less than one lakh) may be exempted from passing the examination.

(iii) The remaining agents, who according to the present classification of the Corporation are active, and those who have been appointed prior to 31-3-1966, may be given a period of 3 agency years from now to satisfy the minimum new business requirement prescribed for the new agents. If during these 3 agency years they satisfy the requirement on an average they may be exempted from passing the examination.

(iv) All other agents should be treated as new recruits.

With a view to combating rebating, reducing lapses and helping in the creation of a stable agency force, the basic rate of first year commission may be reduced from the present 25 per cent to 20 per cent. This percentage may apply to policies of standard plans and standard terms. The standard premium paying period may be fixed at 20 years instead of the present 15 years. Suitable percentages for non-standard plans and terms may be fixed by the Corporation.

The rates of new life bonus may be fixed as follows :

If there is a net increase less than Rs. 6,000 but more than Rs. 1,600 in the total premium of the agent during the year (after allowing credit in this computation for premiums ceasing by death, maturity and cessation of premiums under limited payment policies), 25 per cent of the first year commission, excluding that on Single Premium, Deferred Annuity and Pure Endowment Policies, will be paid as a new business bonus. For each excess of Rs. 1,000 above Rs. 5,000 in this net increase, this 25 per cent will be increased by an extra 5 per cent upto a maximum of 75 per cent. This scheme of rates of First-Year Commission and New Business Bonus will be applicable to policies issued on or after the new scheme is put into effect.

The Corporation may adopt the following commission structure for the renewal commission becoming payable to its agents;

1. The renewal commission may be paid at the following rate for standard plans and standard terms :

2nd year	3rd year	4th to 10th year	11th and subsequent year
10 per cent	7½ per cent	5 per cent	3 per cent

The commission rates for non-standard plans and non-standard terms may be fixed by the Corporation on the basis of the above.

2. So far as after-sales-service is concerned, the Corporation may entrust the agents with such services as may be considered reasonably necessary and practicable. Some of the Senior Agents, about whose credit-worthiness the corporation is satisfied, may, after taking adequate safeguards, be empowered to collect premiums from the policy holders, particularly in the rural areas.

3. There does not appear to be any justification for the payment of renewal commission to agents for policies coming under the Salary Saving Scheme of the Corporation. Under these contracts, premiums are automatically deducted from the employees' salaries by their employers, and the deductions so made are passed on to the Corporation direct. Since no-after-sales-services are required to be rendered by the agents under these policies, the practice of paying them renewal commission may henceforth be discontinued.

These revised rates of first year and renewal commission should be made effective only in the case of policies issued after the scheme has been put into effect.

The Corporation should devise a gratuity scheme for agents, the amount of gratuity being determined by the

total renewal premium receivable under the policies convassed by him which are in force on the day of his retirement the length of his continuous service and the total renewal commission earned by him during the last year of his service at the final reduced rate. A minimum period of service of 15 years may be stipulated for eligibility for gratuity.

The Corporation may undertake an immediate review of the rates of commission payable under the Fixed Term (Marriage) Endowment Policy and the Educational Annuity Policy.

Clause 8 of the Agency Appointment Letter should be suitably modified at the earliest possible opportunity to make the rate of renewal commission mentioned in it conform to the maximum of 4 per cent provided in the Insurance Act.

Section 44 (1) (b) of the Insurance Act may be amended by substituting the words "one lakh fifty thousand rupees" for the words "fifty thousand rupees" appearing in that section.

The Corporation may take early steps to frame regulations for its agents under Section 49 (1) (b) of the L.I.C. Act, 1956. While framing these regulations, the corporation may keep our observations in view and see that the Regulations are framed in a manner that is conducive to the stability of their organisation.

Institutional agencies like firms of two or three agents etc., should be encouraged.

In formulating "fringe benefits" for Senior Agents, the Corporation should pay due attention to the expenditure that would be involved.

The government may examine whether licensing can be dispensed with for procuring life insurance business.

Item (11) of the DDD statement, namely, "By forfeiture or lapse" may be sub-divided into (i) by forfeiture under policies that have not acquired a paid-up or surrender value and those terminated after being continued for some time under the automatic non-forfeiture clause and (ii) by lapse under paid up policies. The prescribed DDD form may be suitably modified to show these sub-divisions. The statement may also give an analysis according to the year of issue of both these types of policies and also of surrenders.

The L.I.C. should conduct periodical surveys at divisional levels and in various places, to investigate the incidence of lapses by policy years, type of business-rural, urban, medical, non-medical etc., and to ascertain the specific causes of lapses in a manner that is precise enough to indicate remedial action.

The corporation should maintain lapse figures for each Branch Office and each Development Office.

The Corporation should take steps to tighten the present procedure for verifying and ensuring that the

insurance carried by the party (including the proposal that is being considered) is commensurate with his income and status, and that there is reasonable chance of the policy, being continued.

(i) In considering the promotion of Branch Managers and Assistant Branch Managers (Development) lapses from the business under their organisation should also be taken into account.

(ii) In giving merit (cash) awards to Branch Managers and Assistant Branch Managers (Development) the net increase in the total premium, after the necessary adjustments should be taken into account.

(iii) Whenever new business figures are published for any agent, Development Officer, Branch or Divisional Office, the lapse rate of the concerned individual of office for the latest available year should also be mentioned so that a measure of the quality of the business done will also be available for correlation to the volume of the business done.

(iv) The L.I.C. should authorise all such commercial banks as have branches at places where the Corporation has no offices of its own, to collect life insurance premia.

Scheme III (1968) should not be renewed at the expiry of its term of two years, and a more simple and easily workable formula should be evolved for giving conveyance facilities/allowances to Development Officials.

An immediate study of the requirement of 'jeeps and staff cars' should be undertaken with a view to reducing the number of vehicles and ensuring their economic maintenance.

The present authorised limits for medical examiners may be reviewed and suitably revised with a view to eliminating the necessity for two medical reports except in every exceptional cases.

There should be constant vigilance and control at appropriate levels to avoid exchange and wastage, to remove duplication or multiplication of work and to scrutinise all activities (and services) involving one or more minor heads of expense, to ensure maximum economy and utility.

The practice of sending Bonus Intimation cards may be discontinued.

The necessity for the different statements and forms prepared and transmitted from one office of the Corporation to another may be examined by the Organisation and Methods Department, with a view to bringing their numbers to the minimum, and avoiding multiplicity and redundancy.

The Corporation should examine the feasibility of having a printing press of its own with a view to effecting economies in the cost of printing.

The Corporation may discontinue the practice of

sending first Default Notices to the policy-holder.

The premium notices which are now being sent by book-post may be printed on postcards if there are no technical difficulties in printing these notices on cards.

The Corporation should encourage the practice of crossing its cheques "Account Payee" wherever possible—particularly to agents and medical examiners—so that the cheques can be despatched by ordinary post. The practice of obtaining certificate of posting in respect of cheques for amount below Rs. 500 may be discontinued as it does not appear to serve any useful purpose when viewed against the cost involved.

The Government may consider a suitable amendment to the Indian Stamp Act to grant exemption to the L.I.C. from paying stamp duty on the receipts issued by it.

A comprehensive survey should be undertaken by the Corporation to sort out old and unnecessary records and steps should be taken to destroy all unnecessary records that have outlived their utility.

The Corporation should examine the present haphazard and unplanned location of Branches in the same locality and take steps to re-locate Branches in a rational manner.

Decisions on the utilisation of the E.D.P. system should not be based exclusively on the immediate economy in expenses that may result from computerisation, but on the improvement in the speed and quality of service to policy-holders and in the precision, speed and versatility with which the information that management needs to assure administrative efficiency and take vital managerial decisions, is made available by the computer.

The manner of allocating the cost of saleable literature and the House Magazines should be revised so that the expenditure shown under the head "Advertisements" in the Revenue Account may disclose a true picture of the publicity expenses. The Accounting Procedure should also make it possible to ascertain the extent of subsidy in the case of each item of saleable literature.

The number of free calls that are allowed to administrative officers for the telephones provided at their residences may be reduced.

If it is found after an investigation that the cost of the administration of the medical benefit scheme for Classes III and IV is disproportionately high in relation to any advantage that may be paid to the employees as an annual allowance of should be reduced thus avoiding the present cost of administration of the scheme.

A review of the Medical Benefit Schemes for Class I and Class II Officers which is overdue should be immediately undertaken by the Corporation being in mind and disparities in the benefits enjoyed by different classes of employees.

(i) Though reinsurance may be necessary for an insurer of a small size, or in the early stages of development of a company, it appears to us that reinsurance is not a compelling necessity for an insurer of the size of the corporation after it has been in existence for 12 years. We should also point out that reinsurance ceded by the L.I.C. is always accompanied by a drain on foreign exchange since there is no other company that can accept Reinsurance of Life Insurance Business in India. This is evident from the working of reinsurance arrangements of the corporation for the last 12 years. We understand that the corporation has been reviewing the limits of retention periodically.

(ii) While the L.I.C. continues the present risks that have been covered under the existing reinsurance arrangements, without in any way disturbing or repudiating any of the existing commitments of or arrangements, it should discontinue the practice of entering into any further contracts or arrangements for reinsurance with foreign companies. As we have already pointed out, the size of the business transacted by the L.I.C. today and the experience that it has gained in the course of the last 12 years make it unnecessary for the L.I.C. to reinsure any part of its risks on standard or sub-standard lives, and lose valuable premium and foreign exchange. However, we are fully aware of the special responsibility that has been cast on the L.I.C. as a State Undertaking that enjoys monopoly of life insurance business, to provide insurance cover to the nationals of this country. Discontinuance of the practice of reinsurance should not therefore, become a reason for overcautiousness and unjustifiable hesitancy to take on reasonable risks that reinsurers would have accepted, and decline to provide insurance cover to those who need and deserve it. The Corporation may set up a Reinsurance Fund of its own, by crediting to it amounts that it might have paid as premiums if it had continued to reinsurance with other companies. The Government may contribute a sum about Rs. two crores from the share of the surplus that accrues to it under Section 28, to constitute a nucleus of this special reinsurance fund of the Corporation. We also hope that the establishment of this fund will help to reduce the number of lives that the corporation declines to insure on one ground or other.

The system of accounting should be mechanised to the maximum possible extent and in the shortest possible time at all the accounting units of the Corporation.

We are aware of the apprehension that mechanisation may create a surplus of personnel. But we believe that in this case the surplus, if any, will only be marginal and it should easily be possible to absorb them. The increase in efficiency that will result from mechanisation

will be definite advantage to that management as well as the personnel.

The Corporation should take early steps to simplify and rationalise its accounts procedures to ensure that uniform and effective procedures are followed at all levels including the Branches, so that the accounts of each Branch and each Division may be self-contained and may furnish a true and fair picture of expenses and income of that office, and to ensure that the necessary statistical data are regularly built up, collected and collated on a uniform basis, and put to regular and effective use at all levels.

The Account manual should prescribe and facilitate separate accounting of expenses in relation to the activities of the Investment Department at all levels wherever such activities are undertaken. The administrative expenses of the Investment Department should be set off against the income given by the department so that the net income is disclosed in the Revenue Accounts under the head "Interest, Dividends and Rents."

The Corporation should review the present basis for the capitalisation of the administrative expenses of the Building Department in consultation with the Controller of Insurance. The entire expenses of the Building Department may be treated as a charge on the rental income. The Corporation, while rationalising its accounts procedures should ensure that :

(i) The amount spent on training activities at all levels is fully reflected under the head "Training Centre Expenses."

(ii) The manner of allocating the cost of saleable literature including the cost of the Central Office House Magazine is revised so that the expenses shown under the head "Advertisements" in the Revenue Accounts discloses a true picture of the publicity expenses. The Accounting Procedure should also make it possible to ascertain the extent of "subsidy" in the case of each item of saleable literature.

The nature and extent of the Internal Audit and the manner of presentation of reports should be uniform in all the Divisions. This alone can provide a sound basis for comparing the performance, efficiency, etc., of the various offices.

Effective use should be made of the statistical data produced by the Audit Reports and the efficiency/economy of the various offices evaluated.

The internal audit should cover all the transactions of the Corporation except in the case of voluminous recurring payments like Agent's commission, where the extent of check may be reduced depending upon the satisfactory experience in the effectiveness of internal control. Even in such cases there should be test-checks on sufficiently broad-based samples.

Both on grounds of economy and administrative efficiency, the Internal Audit and Inspection Departments should be merged. If the reports of this Department reveal any shortcomings or defects in the practices and procedures that are being followed, the corrective and remedial action can be undertaken. The Inspection/Audit teams may be stationed at each Divisional headquarter (under the control of the central office) and rotated every 3 years. An Additional Higher Grade Assistant may be provided to each team in view of the merger of inspection work with audit work. A team may consist of one Administrative Officer and three Higher Grade Assistants for a Division or Division with two lakhs of policies in force and an Additional Assistant for every additional lakh of policies in force. One additional team may also be provided at Bombay and Calcutta to look after the work of the L.H.O. Units at these places. One separate team may be charged with the audit of the Central Office. All the teams will be directly controlled by the Central Office.

Though inspection of the foreign offices is not mandatory in terms of Regulation 47 of the L.I.C. Regulations 1954, we feel that regular inspection of these offices is desirable and should be undertaken once a year exchange situation permits.

About 50 per cent of the forms and statements that are being submitted from the Branch Offices to the Divisional Offices appear to be superfluous and can be eliminated without sacrificing efficiency. Similarly about 40 per cent of the forms that now go from the Divisional Offices to the Zonal Office, can also be eliminated.

The O & M Department should be recognized and placed under the Executive Director (Personnel). It should work in close collaboration with all the different departments in the Corporation with a view to rationalising and simplifying procedures and assessing the personnel requirements of each department and office at various levels on the basis of a scientific study of work-norms, cadre-strength, etc.

The O & M Department should draw up a programme of studies and assessments, giving priority to work measurement and the determination of work-norms.

The O & M Department should develop a scientific system of cost analysis and cost control.

On the whole, it seems to us that the L.I.C. (1961-64) Table is suitable as a mortality basis for revising the current rates of premium though at least for some time to come, there may not be adequate margin for adverse fluctuations from this table.

The present practice of having a periodical investigation into the mortality of assured lives by the Actuarial Department of the L.I.C. may be continued,

but the principles of investigation and methods of graduation to be adopted may be finalised after these are discussed at a meeting of the Actuarial Society of India.

On the whole, it appears that though there has been an improvement in the rate of interest over the years, the full extent of this improvement cannot be assumed in the calculation of the premium because of the recent fall in the rate of interest and uncertainty for the future.

If the current mortality and interest experience are to be allowed for in a new scale of premiums, and if at the same time the present rates of bonus are to be maintained, it is extremely doubtful whether any worthwhile reduction can arise under with-profit policies.

On the whole, we do not feel it is advisable to effect any immediate reduction in with-profit premium rates. This question may be taken up as soon as the expenses are stabilised.

The Corporation should consider suitable reduction in the premium scales for without-profit policies; and simultaneously consider an increase in the sum assured under existing without-profit policies to the extent actuarial considerations justify.

Investments of more than a specified amount (say Rs. 50 lakhs) in a single undertaking or undertakings belonging to a single group, which falls under the category of "unapproved investment," as defined in the Insurance Act, 1938, should be made only with the prior approval of the Central Government. The power to impose this further restriction on the investments of the Corporation might be assumed by the Government through an appropriate directive, or a necessary amendment in Section 27A.

The terms and conditions of service of the personnel of the Corporation may be taken outside the purview of Section 49(2)(b) and (3-b). However, if for any reason of public policy when the government feels that a particular step that the Corporation propose to take in this behalf is likely to have harmful or undesirable effects, it may exercise its powers under Section 21 of the L.I.C. Act and issue an appropriate directive to the corporation.

In an undertaking like the Corporation which needs autonomy for efficiency and yet has to function in strategic areas of the economy, within the perimeter of the social objectives that the government pursues, it is essential to ensure that the responsibility for any decision that the Corporation takes or implements is not blurred in a twilight zone of informal and unwritten exchange of ideas. Therefore, in all cases where the Corporation wants to claim that it has acted in pursuance of the preferences indicated by the government,



it must be armed with a formal and recorded opinion or sanction of the government. Also whenever the Corporation has to depart from a practice or procedure prescribed by the Regulations or make departure in respect of matters that are reserved for the prior sanction and approval of Government, it should secure a formal and written approval from the Government.

The Government should appoint, once at least in every five years, a Special Committee to review the technical managerial and accounting system and the operational efficiency of the Life Insurance Corporation and cause these reports to be made available to Parliament.

The Department that deals with insurance may be placed under an Actuary who will be of the rank of a Joint Secretary.

Our study of the pattern of expenditure in the Corporation has not led us to the conclusion that the present level of expenses is the result of the unitary structure of the corporation. Nor are we in a position to assert, either from the evidence before us, or from our estimate of possible changes in the pattern of expenditure in a different set up, that the division of the Corporation into five or more autonomous or independent units will necessarily result in a reduction in the level of expenses. On the contrary, we fear that it will increase the expenses, particularly if the split-up corporations are allowed to operate throughout the country.

We find it very difficult to say that considerable economy in the level of expenses cannot be achieved, and administrative efficiency cannot be considerably improved in the present unitary set up of the corporation. Nor are we convinced that the objective of increase in economy and efficiency can be automatically realized, or even more easily realized, by dividing the corporation into five or more units. In other words, we believe that the present shortcomings in the working of the Corporation are not inherent in the unitary structure. We believe that these defects can be remedied even while preserving the unitary structure. Our examination of the problems and consequences of dividing the Corporation has convinced us that it would be preferable to maintain the unitary structure of the Corporation and a simultaneous effort can be made to remove the shortcomings from which the Corporation suffers today. We are not convinced that the only way to remove these defects is to divide the Corporation. In fact we fear that dividing the Corporation into five or more autonomous and parallel bodies may result in increase in expenses and give rise to other serious difficulties that may affect the objective of nationalisation.

Abolition of Zonal Offices and redistribution of their

responsibilities to the Central Office and the Divisional Offices may give rise to some difficulties that will have to be ironed out. Therefore, some kind of machinery may be set up to supervise the implementation of the proposals and the reorganization of the Corporation in the areas coming under the present Zonal Offices. This may be a Zonal Cell in the Central Office, built around a senior officer, but with the minimum number of staff, and meant only for the supervision and reorganisation that will be necessary during the period of transition. The Zonal Office in its present dimension, and as an administrative tier will cease to exist, and this will lead to economy, increased delegation and decentralization of powers and increased efficiency.

All our proposals for effecting economy, spreading insurance, increasing administrative efficiency and reorganisation may be given a fair and full trial before the government considers other alternatives that might have been put forward for the reorganisation of the structure of the Corporation. If, after a full trial has been given to the proposals that we have made, the government feels that the results that have flown from the implementation of our proposals have not adequately improved the level of expenses and the administrative efficiency of the Corporation, it will, of course, be open to the government to examine whether the present difficulties of the Corporation are the inherent consequences of the unitary form of the Corporation, and consequently capable of removal only by altering the unitary structure of the corporation, and re-fashioning it as a federal apex corporation with autonomous Corporations in the Public Sector, subject to the general control and supervision of the government; or whether, the malady and therefore, the remedy lies outside the nature of the structure.

Considering all the material made available to us, we are left with the impression that the Board of the Corporation has not been discharging its functions as effectively as it should have done.

While appointing the Members of the Corporation, the Central Government should take care to see that persons chosen are men of outstanding ability and experience who will be able to devote the time and attention that Membership of the Corporation would entail. They should not only satisfy the qualifications mentioned in Section 4 of the L.I.C. Act, but also be firm believers in the social objectives of the undertaking. The frequency with which the Corporation meets now is not adequate for the efficient functioning of the Corporation. The Corporation should, in our view, meet more frequently than now, and the time devoted to the meetings should be adequate to allow members to deal with all matters requiring attention and to

participate fully in the evolution and implementation of policy. Steps should also be taken to ensure that the Corporation itself or the Executive Committee discharges its responsibility for the day-to-day functioning of the Corporation without leaving such important matters on one individual however capable he may be.

While appointing a person as the Chairman of the Corporation the government should satisfy itself that the person would serve as the Chairman of the Corporation for a minimum period of five years. Men with requisite stature, competence and experience from outside the Civil Service should also be considered eligible for the Chairmanship of the Corporation.

Out of the 15 Members of the Corporation, six members, including the Chairman, should constitute the Executive Committee of the Corporation and all the members of the Executive Committee should be full time members. Like the Chairman, the other five members of the Executive Committee, who may be described as Functional Members, may be appointed for a minimum period of five years. While appointing the Functional Members, preference may be given to the senior most officers of the Corporation who are well acquainted with the various aspects of the Corporation's working and who, in the opinion of the Central Government, are men of outstanding competence and experience fit to occupy such high positions in the Corporation.

The following steps should be taken :

- (1) Remove the present differentiation between Branch Offices and Sub-offices by suitably reallocating areas and personnel, so that, by the end of a period of two years there are only Branches that can satisfy the revised new business requirements.

2. Raise the target of production of all the Branch Offices to a minimum new business of Rs. 2 crores in the case of offices located in places with a population of less than 5 lakhs (according to the latest census) and Rs. 4 crores in the case of offices located in places with a population of 5 lakhs or more (only completed business is to be counted).

3. Allow these units a period of 2 years to satisfy the new criteria laid down for a new business. If within this period of two years, the concerned offices do not come up to the expectations, a review should be made and suitable action taken.

4. Within a period of two years, transfer all the P.H.S. functions referred to in the foregoing paragraphs from the Divisional Offices to the Branch Offices.

5. Retain the staff that will become surplus in the Divisional Offices when the P.H.S. functions are transferred to the Branches, and reallocate them to the Branch Offices, thus providing all Branch Offices with

adequate staff to discharge the functions entrusted to them including the realization of the revised new business criteria.

An immediate review of the administrative, as distinct from the financial, powers now being exercised by the Central and Zonal Offices should be conducted to determine the administrative powers that should be delegated to the Divisional Offices, in order that the Divisional Offices may function in the same manner and with the same powers as the Head Offices of the erstwhile insurance companies, of course subject to the difference that they are units of the same Corporation. The supervisory and other functions, like recruitment of staff, maintenance of Provident Fund and House Property Accounts, etc., should be transferred to the Divisional Offices. This redistribution and delegation of powers should be completed in the course of the next two years.

Duties like the recruitment of staff, enforcement of discipline, maintenance of Provident Fund Accounts, House Property Accounts, etc., that can be appropriately transferred from the Zonal Offices to the Divisional Offices should immediately be transferred to the Divisional Offices, other duties like Actuarial Valuation, underwriting of proposals beyond the limits that may be laid down for the Divisional Offices, and general superintendence and guidance, etc., may be transferred to the Central Office, and the Zonal Offices may be abolished, subject to the recommendation, that we have made about the necessity to maintain Zonal Cells in the Central Office during the period of transaction. This process of reorganisation should be completed during the next two years.

An immediate review may be made of the charges held by the top officers of the Corporation in order to see how responsibilities can be redistributed and each of the Functional Members entrusted with the charge of one or more departments to ensure well-defined and equal distribution of work. The working of the Central Office may be streamlined to ensure proper co-ordination among the various departments.

By and large, it would appear that an unjustifiably large share of expenses has been allocated to the General Department.

The Corporation should evolve a scientific system of allocation of common expenses taking all factors into account, so that only a just and equitable share of the common expenses is charged to the General Insurance Department.

The Corporation should direct all its "tied" business (general insurance business) to be placed with its fully owned subsidiary, the Oriental Fire and General Insurance Co. Ltd.

# NATIONAL COAL DEVELOPMENT CORPORATION COMMITTEE, 1967—REPORT FIRST

New Delhi, Ministry of Steel, Mines and Metals, Department  
of Mines and Metals, 1968. 300p.

Chairman : Shri G.R. Kamat.  
Members : Shri Mohan Lal Gautam ; Shri S.S.  
Saluja ;  
Secretary : Shri Ram Sahay.

## APPOINTMENT

The performance of the National Coal Development Corporation Ltd., Ranchi (a Public Sector Undertaking) has been causing concern for some time past in as much as production has not been commensurate with the investment made and there is no adequate return on capital invested. There may be scope for improvement in regard to such matters as planning, administrative and organisational set-up staffing, procurement of equipment, control of stores, financial and budgetary control management employees relationship and marketing. The alleged malpractices and financial irregularities need also looking into.

Government feel that an independent review of these problems, among other issues, is likely to be helpful at this stage in order to enable remedial actions to be taken for removing any deficiencies which may be affecting overall and detailed performance of the Various Units of the National Coal Development Corporation Government of India in the Ministry of Steel, Mines and Metals, Department of Mines and Metals, therefore appointed the Committee Vide its Resolution No. C 2-8 (7)/67 dated July 22, 1967.

## TERMS OF REFERENCE

To identify and assess deficiencies in regard to all these aspects of the Working of the National Coal Development Corporation and ;

To suggest remedial action and the improvement that should be made in the policy and organisational set-up of the Corporation; also to specify that alleged malpractices and financial irregularities.

## CONTENTS

Introduction; Some Historical Perspective; Immediate Tasks Before the N.C.D.C.; Structure of Management Board of Directors; Relationship Between the Corporation and the Central Government ; The Board

of Directors; Suggest Composition; Some Problems Relating Mainly to Headquarters Management; Summary of Conclusions and Recommendations; Appendices from I to V.

## RECOMMENDATIONS

For the Third Five Year Plan, the target for National Coal Development Corporation was 31.0 million tonnes out of a total production target for the coal industry of 98.5 million tonnes. The target appears, in retrospect, to have been based on questionable assumptions.

2. It was with a view to fulfilling the high Plan targets that the National Coal Development Corporation embarked on an expensive programme for acquiring machinery and manpower and for the Development of mines in several areas, particularly in the outlying areas of Madhya Pradesh, Orissa and Maharashtra. Some of the present difficulties of National Coal Development Corporation are due to the magnitude of the development and the speed with which it was undertaken. Large and expensive projects which the N.C.D.C. had undertaken have led to investments in capital assets which are not presently needed for the current level of production.

3. In the process of development with speed and since 1964, of retrenchment and readjustment, several organisational weaknesses had not received adequate attention and stresses and strain have appeared affecting all aspects of working of N.C.D.C.

4. It is likely that after some years, provided the economy picks up at the rate which is essential for the country's industrial growth, the N.C.D.C. could become the main stay for meeting the increased fuel demand in the country. The immediate problems before the National Coal Development Corporation are :

(a) To build up sales in a competitive market;

(b) To remove organisational and other weaknesses; and

(c) To economise on the methods of production.

## Sales

5. For reorganising the N.C.D.C.'s sales offices and

sales procedure, the following steps should be taken immediately:

(a) The Corporation should undertake the survey of the market, current and prospective for each of its mines;

(b) It should then establish else contracts with its principal perspective customers and wherever possible enter into long-term contracts with them;

(c) The Corporation should guarantee continuity of supplies;

(d) Quality should be rigidly adhered to. A system of inspection at the time of loading and surprise checks at the destination in the case of large consumers should be introduced to ensure standards;

(e) Prices should be competitive and related to the quality of supplies reduction and rebate should be provided to large consumers for sales in excess of guaranteed minimum and also for prompt payment;

(f) As a public sector undertaking, N.C.D.C. has the special responsibility of developing expanding markets, particularly in the rural areas;

(g) As far as possible sales to public enterprises and even to large private sector enterprises should be made direct and not through middlemen. The middlemen's services could, however, be utilised for developing the markets fully and for exploring new markets. The appointment of such middlemen as agents for sales should be made after careful selection with due regard to their financial status and capacity to expand the markets in the particular area. Their functions and liabilities should be clearly defined and their obligations enforced;

(h) There should be closer liaison at working levels between the area officers and collieries on one hand and the sales department on the other;

(i) The billing system should be speeded up. Bills can be prepared daily and for each consignment and sent direct by the collieries or Area Accounts Offices to consignees keeping the control sales office informed for the purpose of watching the recoveries. Interest should be charged on overdues.

#### Transport

6. The Railways may examine the procedure for the allotment and supply of wagens in the context of the situation prevailing after decontrol with a view to simplifying them and removing over-centralisation. With a little adjustment it should be possible to ensure that there is regularity in the supply of wagens and punctuality in their arrival at the colliery. There should also be proper arrangement for liaison between the N.C.D.C. and the Railways at various levels.

#### Production Planning

7. Each mine should prepare cost data reflecting the

actual expenditure and showing separately the direct costs which vary with production and the over-head and fixed costs. The cost data should be capable of identifying cost elements which are within the control of the local managers. Stores accounts should be brought up-to-date and the financial and cost accounts reconciled.

Services of persons trained in Industrial Engineering should also be employed for bringing about higher productivity and lower costs.

On the basis of the cost data, the Headquarters of the N.C.D.C. should draw up an annual plan of production which would give optimum trading position. Sales efforts and production efforts should be concentrated on those collieries where there is a large margin between sales realization and production cost or at least the variable element in it. In collieries where the economics are unfavourable the N.C.D.C. may even consider suspending production or abandoning them.

#### Stores And Purchases

8. In order to ensure smooth and regular supply of plant, equipment, stores and spare parts, the following measures are suggested:

(a) The indenting procedure should be simplified. In this respect we recommend that posts of Controller of Stores and Controller of Purchase be combined;

(b) To the maximum extent possible rate contracts for each important store should be arranged with more than one supplier;

(c) The Corporation should take special measures to ensure full utilisation of the manufacturing capacity which it has in its workshops.

#### Accounts

9. In all the areas, stores valuation accounts have not been kept up-to-date. This lacuna is believed to be responsible for the exhibition of large cost accounts with financial accounts as well as for the exhibition of large quantities of "Stores in transit" in the annual balance sheet. The stores accounts should be brought up-to-date as from some pre-determined date. If this is done, it should be possible to provide not only the monthly reconciliation of the costs and the financial accounts but also to present the monthly balance sheet for each area and each accounting unit.

As the transactions in the areas are large, the use of imprest accounts system does not appear to be appropriate. The area accounts office could be required to produce complete accounts monthly, quarterly and annually.

**Internal Audit:** The Internal Audit Section requires to be strengthened urgently both in number and asked to locate wastes and loopholes if any. While the

accounts are decentralised and become parts of the area offices, the internal audit should be the responsibility of the management at the Headquarters.

#### Administration And Organisation

10. Some of measures needed for infusing sense of discipline and toning up of the administration are indicated below :

(a) The duties and functions of each officer should be defined clearly;

(b) The present compartmental approach of officers in different branches should be given up ; and

(c) The administrative procedures should provide for incentive for good work and speedy penalty for lapses.

#### Structure Of Management

11. The system of nominating a Board of Directors comprised mainly of officials of interested Ministries and organisations has resulted in break of continuity and insufficient interest by Directors in the work of the Corporation, and a virtual abdication of the process by the Board. While the Board in which the powers were formally and legally vested remained inactive, the effective power was in the Department of Mines and Metals and the Managing Director. The Committee feels that the balance of power should be restored and the powers and responsibilities of the Central Government, the Board of Directors and the Managing Director defined.

#### Relationship Between The Corporation And The Central Government

12. The areas of responsibility of the Government and the Board of Directors as envisaged in the Articles of Association of the Company should be reaffirmed. The Central Government should concern itself mainly with the affairs of the Corporation in regard to the development plans. The Government may also lay down codes of conduct for labour relations, trading practices, etc., which may be common to all public undertakings. All other matters such as coordination with other Government agencies (e.g., Hindustan Steel, Electricity Undertakings), pricing policy etc., should be left to the Board of Directors and the Management of the Corporation. In particular all matters relating to revenue collieries should be finally disposed of by the Board of Directors and under its supervision and guidance by the Managing Director and the top management. In respect of these collieries, the Central Government should however receive a performance budget before the beginning of the financial year and periodical progress reports, financial and physical.

Where the Central Government intervenes with its powers of issue of Directive, in public interest,

the concomitant financial impact should be met from Government revenues. The Corporation's balance sheet should not be saddled with the burden of the resulting losses.

#### Development Of New Projects

13. In regard to the development projects, the Government should require N.C.D.C. to prepare project reports containing justification for taking up the project, expected financial results, way in which the mine is to be developed, details of equipment required etc.

14. In the present context of demand, N.C.D.C. need not undertake any new projects for some years except to cater to the needs of a specific consumer. Since large coal consuming projects like steel plants and power houses take overal years for being commissioned, N.C.D.C. need plan new mines only at the same time as the consuming projects. Detailed planning, even if it is time consuming should precede the development work as it would lead to reduction in the construction time and economy in cost.

15. At the time of preparation of a new project itself, the planning authorities should indicate fairly clearly as to the stage at which the project should be brought on to the revenue account. The situation thereafter, could be reviewed by a group of technical and financial officials at the Headquarters in consultation with the Area General Manager and the Project Officer. The group would advise at the date from which the project should brought on to the revenue account. The Corporation's decision in the matter could also be subject to the approval of the Government of India.

#### Depreciation Fund

16. The Corporation should maintain a separate depreciation fund for meeting the expenditure on major maintenance and replacement of machinery instead of the present practice of adjusting the depreciation provision in the annual capital budget. It would be in the interests of the Corporation as well as in accordance with best business practice if the Central Government were to meet the entire cash requirements for all the capital development schemes leaving its internal resources to be used for working capital, replacement needs or if any surplus is still available, for investment in Central Government Securities.

#### Composition Of The Board Of Directors

17. The Chairman of the Board of Directors may be whole-time or part-time, but when a part-time Chairman is appointed, care should be taken to see that he is in a position to devote a great deal of his time and interest to the work of the Corporation, and provide adequate guidance to the Managing Director.

In particular, the Chairman should be required to assume high level public relations duties.

18. Other whole-time Directors should be appointed in consultation with the Chairman and Managing Director, one for Finance, one for Technical matters and one for Administrative matters;

19. The whole-time Directors should work as a team and while the Managing Director will have overriding powers, the decisions should ordinarily be reached through consultations and discussions. Working procedures should be specially evolved to ensure this team approach.

20. Besides the Chairman and the whole-time Directors, and in addition to 3 or 4 part-time Directors, one representative each of the Ministry of Steel, Mines and Metals and the Ministry of Finance and a person with knowledge and experience of trade union matters should be nominated to the Board. The Committee does not consider it necessary for other Ministries of the Government of India or public undertakings like, Hindustan Steel Limited, Mining and Allied Machinery Corporation etc., to be represented on the Board.

21. In order to enable the part-time Directors to make an effective contribution to the work of the Corporation, their appointment should be renewed as necessary so that each incumbent holds the position for not less than 3 continuous years and possibly even 5 continuous years. The whole-time Directors should be appointed for a minimum period of 5 years which could be extended as necessary.

#### Headquarters Management

22. The Committee fully endorses the extent of delegation of powers at present made to the Managing Director. In the exercise of these powers he would have full authority to over-rule the other functional directors.

23. To enable the Board of Directors to function properly, they should be prescribed a number of returns and reports which should be brought to the meetings periodically.

24. The Committee suggests that sufficient powers be redelegated to the heads and officials of various departments at Headquarters so as to relieve the Managing Director of routine unimportant work.

25. Ordinarily the Managing Director should not be incharge of any specific department. However, for some time to come, sales and sales promotion will have

to be specifically looked after by him. The Sales Manager will work directly under him.

26. The Technical Director should be in charge of all technical departments and have under him a Chief Engineer (Production) responsible for the planning of Production and Operation of revenue collieries, a Chief Engineer (Planning) responsible for all matters connected with development projects, Chief Engineer (Electrical and Mechanical), Geologist and Civil Engineers.

27. The Finance Director should be incharge of Internal Audit, Accounts and Financial Advice. The Internal Audit should be strengthened early and asked to undertake studies of comparative unit costs etc. The Chief Cost Accounts Officer should coordinate the cost data, provide technical guidance and bring to the notice of the management, matters arising out of the cost data that require their attention.

28. The Area General Managers should be empowered to over-rule their Financial Advisers where they consider it necessary to do so in the interest of production and progress of development projects. They should however, be required to record their reasons and to resort to the matters to the Headquarters immediately thereafter.

29. The Director in-charge of Administration should have under him a Chief of Administration and a Chief Personnel Officer. He should also be in charge of Stores and Purchase and miscellaneous departments like Security, Medical, Legal and Public Relations. Vigilance should remain with the Managing Director.

30. The whole-time Directors should be carefully selected and if necessary higher salaries may be given for attracting suitable persons.

31. In the present organisational chart, the Area General Managers are shown as subordinate to and under the control of the Director of Production. It would be more appropriate to show them as under the Control of the Managing Director and the Headquarters management group.

32. Greater attention should be paid to ensure that all the top posts are properly staffed and not left vacant.

33. The procedure for sanctioning the top posts and filling them up hasty be speeded up and if necessary, the Department of Mines and Metals could seek delegation of necessary powers for the purpose.

34. Duties and responsibilities of each official in the Headquarters office should be properly defined and well understood by each person working in it.

# INDUSTRIAL LICENSING POLICY INQUIRY COMMITTEE, 1967—REPORT

New Delhi, Ministry of Industrial Development, International Trade and Company Affairs, Dept. of Industrial Development.  
1969 4 Vols. : Vol. 1 Main Report, Vols. 2-4 Appendix.

**Chairman :** Prof. M.S. Thacker, Chairman of the Committee resigned on 22nd April, 1968 ; Shri Subimal Dutt appointed to succeed him joined on 4th May, 1968.

**Members :** H.K. Paranjape ; S. Mohan Kumaramanglam.

## APPOINTMENT

The Expert Committee to enquire into the Working of Industrial Licensing System during the past ten years was appointed by the Government of India, Ministry of Industrial Development, International Trade and Company Affairs in the Department of Industrial Development dated July 22, 1967.

## TERMS OF REFERENCE

(i) To enquire into the Working of the Industrial Licensing System in the last ten years with a view to ascertaining whether the larger industrial houses have, in fact, secured undue advantage over other applicants in the matter of issue of such licenses, and if they have received a disproportionately large share of such licenses, whether there was sufficient justification for this.

(ii) To assess to what extent the licences issued to the larger industrial houses have been actually implemented and whether the failure to do so has resulted in pre-emption of capacity and the shutting out of other entrepreneurs.

(iii) To examine to what extent the licences issued have been in consonance with the Policy of the Government as laid down in the Industrial Policy Resolution of 30th April 1956, particularly in regard to the regional dispersal of industries, the growth of small scale and medium industries and the policy of import substitution.

The Committee will also enquire whether and if so how far, the policies followed by specialised financial Institutions, such as the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India in advancing loans to industries have resulted in any undue reference being given to the larger industrial

houses.

In view of the nature of the Inquiry entrusted to the Committee, Government conferred on the Committee, Powers under the Commissions of Inquiry Act 1952 on 31st August 1967. The Committee was originally called the "Expert Committee on Industrial Licensing". Subsequently, it was designated as the "Industrial Licensing Policy Inquiry Committee."

## CONTENTS

Introduction and Background; Large Industrial Houses; Industrial Licensing System; Large Houses and Industrial Licensing; Implementation and Pre-emption; Policy Objectives and Licensing ; Financial Institutions ; Conclusions and Recommendations.

## RECOMMENDATIONS

### Resume Of Conclusions

We were asked to examine how the industrial licensing system has operated regarding the share obtained by the Larger Industrial Houses in the licences issued and the shutting out of other entrepreneurs and also how far the results of its working were in consonance with the Industrial Policy Resolution of 1956.

It should be remembered that the Licensing System did not always have before it clear guidelines about these matters. The IDRA attempted to set up a system which would bring "under central control" the development and regulation of a number of important industries, the activities of which affect the country as a whole and the development of which must be governed by economic factors of all India import," and it was however, apparent from the beginning that licensing had to be used in combination with various other instruments at Government disposal if the major objectives of its Industrial Policy and Plans had to be attained. While the necessity to use these different instruments in a well designed combination was realized even at the time of the First Five Year Plan, adequate operational methods for such co-ordinated use of these instruments were never devised. Our examination of the working of the financial institutions clearly suggests that there

was inadequate co-ordination regarding the use of licensing and financial assistance—the two most important instruments available to Govt. For regulating, guiding and assisting industry in the private sector.

We have already pointed out that while the general objective of preventing concentration of economic power and monopolistic tendencies was emphasized on a number of occasions from 1948 onwards, no specific instruction was given that the licensing authorities should keep this purpose in view. Our studies show that licensing in the earlier years was guided for more by technical than by economic leave alone social, considerations. It may, therefore, not be considered surprising that during a large part of the period of our inquiry, not only was no attempt made to use licensing to prevent the further growth of the Larger Industrial Houses, but the process actually worked in their favour. It was only in 1950 that the problem of concentration and disparities was specifically posed, leading to the appointment of the Mahalanobis Committee and later to the Monopolies Inquiry Commission (MIC).

After the report of the MIC was published in October, 1965, for the first time a list of Large Industrial Houses (or Business Groups) with their composition was available to the licensing authorities. Even after this no clear direction was issued to the licensing authorities and the financial institutions regarding how they should treat applicants from Large Houses.

Unlike the objective of preventing concentration of economic power, the objective of planned industrial development had been accepted as relevant for the licensing system right from the beginning. However, for reasons that we have already discussed in the previous chapters, the licensing system as it actually worked could not ensure the development of industries mainly according to Plan priorities. The lack of clarity about Plan targets and their implications in terms of creation of capacity, the failure of the planning authorities to work out inter se priorities among different industries, the uncertainty about resources that prevailed, and the non-availability of any properly worked out industry plan on the basis of which individual decisions on licensing could be taken within a rational framework—all these contributed to the inadequacies and failure of the licensing system. Difficulties in defining the concept of 'capacity'—combined with persistent failure to work out clear ideas on the subject, made the position worse. The result was that such industrial development as took place according to the priorities indicated by the plans was either in public sector or to the extent it was found any way profitable in the private sector. Licensing failed to prevent the growth of capacity in less essential industries; and it could not be expected directly to

ensure the creation of capacity in the more essential ones. The Planning Commission's vagueness about the importance to be attached to the targets given and its failure to insist on maintenance of the priorities indicated also contributed to this development.

Import substitution was one of the main objectives of the Plans. The role of licensing in it had to be confined to ensuring that within the framework of development laid down, such saving of foreign exchange was attempted as was consistent with the long-term objectives of development and self-reliance. Our Study of licensing together with other accompanying measures such as authorisation of capital goods imports and approval of foreign collaborations shows that these did not in many cases operate effectively towards the attainment of the objective. While the 'indigenous angle' was emphasized in authorising capital goods imports, in numerous instances capacities were permitted to be created in less essential industries while the more essential ones were starved of resources. Foreign collaboration agreements including foreign equity participation were permitted in non-essential areas and in repetitive ways. Short-term balance of payment considerations were permitted to establish capacities in industries where and when they had no special contribution to make, to the disadvantage of indigenous manufacture and technical know-how.

Regarding regional dispersal, the licensing system, as we have already pointed out, could have played only a limited role. A more positive role would have been possible if there had been industry plans regarding the development of important industries on a long range basis, broadly indicating the appropriate regional dispersal of the industry. In a few cases like fertilisers where attempts were made from time to time to work out such plans, licensing did attempt to ensure regional dispersal. In the absence of such plans, however there was little that the licensing authorities could do in this respect. Our studies show that from time to time, the licensing authorities attempted to favour locations in industrially less developed States, and these have resulted in some industrial units being established in such States. However not many proposals for location in industrially less developed States were received, and in some of them, where licences were granted, implementation was poor. There was also the practical difficulty that licensing could not discriminate among States especially as there was no generally agreed list of industrially advanced and backward States or regions. The problem of favouring better locations also come up against strong political pressures as in the case of the sugar industry. Such pressures led to licensing more capacity than necessary, or alternatively, distributing capacity among uneconomic units so as to satisfy the



demands for location from a larger number of States. The growth of small and medium industries could be encouraged through the licensing system only in areas where reservations for certain products or processes could be successfully enforced at an appropriate stage of the development of the concerned industries, and these were accompanied by supporting measures such as technical, financial and marketing assistance. We have also observed how, in a number of instances, this objective was overlooked either because of a lack of clear guidelines, or because the authorities apparently gave way to various kinds of pressures.

In the matter of ensuring that the approach laid down in the Industrial Policy Resolution regarding the role of the public, co-operative and private sectors, the licensing system could not do much by itself. The lack of growth of the public sector to any significant extent in industries listed in Schedule 'B' cannot be principally ascribed to a failure of the licensing authorities. The cause of this failure to a large extent lies elsewhere. The Same can be said about the failure to help the development of the co-operative sector in industry. Our studies, however, show that when there was a choice between the public sector and the private sector the licensing authorities in some important cases took decisions in favour of the private sector.

Finally, what can be clearly stated about the licensing system is that even within the limits of the system, the attempt to ensure the attainment of its specific objectives was half hearted. Licences were issued in excess of capacity targets even in non-essential industries. Influential parties and Large Houses were permitted to preempt capacities. The follow-up of licences was unsystematic and licences remained unimplemented for long periods without any steps being taken to revoke them; at the same time, others were refused licences on the ground of no scope when authorising capital goods imports the scrutiny in important cases was so inadequate that a number of concerns were able to establish capacities for in excess of those licensed to them; and the plea of substantial expansion at little or no foreign exchange cost was later used as a method to obtain regularisation. In quite a few cases, regularisation was permitted even without any such formality. Production for in excess of licensed capacity has gone on four years in the case of a number of concerns without Government taking any steps.

To recapitulate our general conclusion in the earlier chapters, the licensing system worked in such a way as to provide a disproportionate share in the newly licensed capacity to a few concerns belonging to the large Industrial Sector. The maximum benefit of all this went to a few Large Houses. Our conclusion, therefore, is that the licensing system was not properly organised for the

purposes which it was expected to achieve; the authorities concerned were not clear about these objectives and no clear guidelines for their attainment were ever laid down. The result has been that the licensing system has not contributed adequately to the attainment of the Industrial Policy Resolution and Plans. The licensing system by itself, however, can only be held partially responsible for this failure.

**Licensing to Continue :** The question now before us is whether, in spite of its failures in the past, the system should be maintained with necessary improvements in its organisation and procedures, or it should be abandoned. We have received a large number of memoranda from individuals as well as various professional organisations, and study of these reveals that there is a agreement on the necessity to maintain the licensing system in some form while removing its defects. Specialised bodies set up by Government have also made recommendations to Government. All of them suggest not abolition but modification of the licensing system. The Swaminathan Committee and its successor, while examining the procedures of industrial licensing, came to certain conclusions about the manner in which the scope of licensing should be modified, and following this Government has implemented a policy of delicensing a number of industries. It has been stated that such delicensing has been effected in the case of industries in which no significant import of capital goods was involved, which could be considered as of sufficient priority to encourage their development and which would not be expected to intrude into fields reserved for small scale industries. We are not certain that all the industries delicensing satisfy these criteria. Following another recommendation of the Swaminathan Committee, the exemption limit was raised in 1964 to Rs. 25 lakhs so as to reduce the number of undertaking regarding which scrutiny will have to be made by licensing authorities and also in free undertaking of this size from the difficulties involved in the licensing process.

Prof. R.K. Hazari, to whose Report on Industrial licensing a reference has already been made earlier in our Report, recommended that this exemption limit should be raised further to Rs. one crore. He justified this proposal on similar grounds. More recently, the Planning Commission in the Draft Fourth Five Year Plan has suggested a revision in the scope and operation of the licensing system as a part of an overall 'revision of the present regime of controls.'

All these indicate that there is wide spread realization that, in the conditions that exist in India, if the problems that the country faces are to be solved with speed, we cannot but continue on the path of planned development that we have adopted. If industrial development is to take place as a part of an over all

development plan, and at the same time we have to attempt to achieve the objectives enunciated in the constitution and spelt out in the Industrial Policy resolution of 1956, it is essential to have an instrument for industrial planning such as the one forged through the Industries (Development and Regulation) Act.

### Preventing Economic Concentration

As three out of our four Terms of Reference were specifically related to the undue advantage obtained from the licensing system as well as the financial institutions by the Large Industrial House, or, to use the concept that we have used, the Large Industrial Sector, it would be appropriate initially to deal with the question whether we expect licensing in future to play an effective role in preventing such advantage from accruing to the Large Industrial Sector. It is our view that licensing has only a small role to play in respect of this objective of preventing concentration of economic power, both in the sense of the growth of Large Industrial Houses and concerns, and in the sense of product-wise monopolies. The major instrument for the attainment of this objective is the proposed Monopolies Commission, and a Bill for this purpose has already been introduced in Parliament. We hope that as a result of this proposed legislation, a Monopolies Commission will be set up with sufficient powers and adequate organisation to deal with the problems of concentration of economic power as well as product monopolies. Such an organisation can effectively prevent undue growth of an individual House in a variety of industries for which there is no special technical or economic justification. It will also be useful in preventing the misuse of monopolistic power where product monopolies are involved.

The limitation of the licensing instrument in this respect is that it is not only a negative instrument but it can only be used for a specific purpose, viz., permission or refusal of permission to start a new unit or to expand existing capacity. We have come across many instances where applications for licences were made in various names—individuals as well as business concerns though the ultimate beneficiary of the licence was expected to be a particular Industrial House. It would be difficult for the licensing authorities in every case to find out whether and to what extent an applicant is related to an existing Industrial House, and whether after obtaining the licence, he intends to bring in some Industrial House for the implementation of the licence. Moreover, when we find that this practice was not uncommon even at a time when there was no definite policy against permitting Large Industrial Houses to grow further, the use of various subterfuges

to obtain licences through nominees or to acquire control over concerns which have obtained licences is likely to become more widespread when such a policy is clearly laid down. We are indicating later in this chapter the manner in which industrial licensing can be used as an instrument for preventing the growth of concerns associated with the Large Industrial Sector in certain fields of industry. Licensing can also be so used as to prevent unduly large capacities being given to existing producers with the object of preventing monopolistic control of certain products. But as mentioned earlier the objective of preventing concentration and further growth of the Large Industrial Sector.

Later in this chapter, we shall deal in detail with the manner in which principal institutions should operate in combination with licensing and other instruments. At this stage, however, we would like to deal with a major aspect of the role of the financial institutions with reference to the prevention of concentration of economic power on one hand and the growth of the public sector on the other. We have indicated earlier in our Report, that, though it was contemplated in the Industrial Policy Resolution of 1956 that in a number of newly developing industries listed in Schedule 'B' the State will play an increasingly active role, in fact this has not happened to any significant extent. One of the main grounds for this failure is said to be the lack of financial resources available with the public sector for further development. We have already seen how, what in our opinion is a wrong interpretation of the assurance of the Finance Minister at the time of nationalisation of life insurance, has resulted in investment funds which could be made available by the LIC to the priority industries in the public sector being diverted to the private sector. We have also seen that a number of new industrial projects in the private sector have been established only on the basis of a large proportion of their costs being met through financial assistance provided by public financial institutions, holds significant proportions of equity capital. But this equity has not been utilised for effective participation in the management of these concerns. By providing a large part of assistance in the form of debentures or loans, the public financial institutions have also denied themselves a share in capital appreciation.

The Joint Sector: It is our view that a thorough change in these policies is necessary. Where a very large proportion of the cost of a new project is going to be met by public financial institutions either directly or through their support, normally these projects should be set up in the public sector. This does not mean that ordinary shareholders and even some private concerns may not be associated with such projects. The Companies Act already has provisions relating to Govt. companies under

which equity in such companies can be shared by Central and State Governments and private parties. There would be two main advantages of this policy. On the one side private interests and in the case of large projects these are likely belong to the Large Industrial Sector—would thus not be permitted to built up huge industrial empires and obtain the benefits accruing from them while essentially using in large part public funds and support for such development. On the other hand, the objection raised to permitting large projects to be developed, even though such a size might be necessary on techno-economic grounds, because of the fear that this would help build up a private industrial empire would become irrelevant. On both these grounds, therefore, it is necessary that such projects should be treated as belonging to the public sector.

We do not propose to go into details about what proportion of project cost being met from the State Sector should be treated as the cut-off point for including a project in the public sector. There would also be the question whether such proportions should be applicable to all industries uniformly or they should vary from industry to industry. We suggest that Government should lay down policies in this matter on the basis of considerations such as the availability of personnel and organisation, and also the private partners, Indian or Foreign, that have to be associated with particular projects, their participation. It may be that for some time to come Government might decide to permit projects with significant proportions of public financial assistance to remain in the private sector. In that case, however, we would like to emphasize that they should be clearly treated as belonging to the 'joint sector', and not to the private sector. The 'joint sector' would, in our view, include units in which both public and private investment has taken place and where the State takes an active part in direction and control.

We consider it important that when public sector financial assistance on any significant scale is provided for the private sector, not only should an appropriate share in the benefits accruing from the project, after it is completed, be available to the State, but the project should also necessarily be treated as belonging to the 'joint sector', with proper representation for the State in its management. This purpose may be achieved by the Financial Institutions insisting on the whole or part of their assistance in the form of loans and debentures being convertible into equity at their option and, if necessary, the law should be amended to provide for this. It also follows that equity holdings of various public financial institutions, the most notable among them being the LIC and the UTI, should be effectively used for enlarging the role of the State in the management of private sector industry.

We need not go into the details of the organisational devices for this purpose. It will obviously be necessary to create a suitable well trained managerial cadre of full time Public Directors who will represent the State on the joint sectors industrial concerns. In view of what we are recommending later regarding financial institutions, probably the best agency to which this whole task may be entrusted would be the IDBI. However, that may be organised, we would like to emphasize that the idea that financial assistance and even equity holdings should not be normally used by the State and the public financial institutions for appropriate participation in the private sector concerns so assisted needs to be firmly set aside. This would ensure that the management of industry is conducted according to the overall policies laid down by Government, and that public interest and not merely private profit would guide the operations of large industrial undertakings in the private sector. This would also be an important means of curbing the increasing concentration of economic power. Thus the development of the 'joint sector' on these lines is, in our view, an important instrument for the attainment of this objective, and it is likely to be more effective than licensing.

**Other Objectives :** Even for the attainment of objectives other than the prevention of concentration, namely, the growth of industrially backward regions, that of small and medium industries and important substitution, the role of licensing will be somewhat limited. As a negative instrument licensing can prevent wrong locations, but it cannot necessarily further right locations. It should also be remembered that even if, in order to ensure better regional distribution, licences are given for locations in hitherto less industrialised regions, these might not be implemented. This has happened in the past. Similarly, licensing may prevent the development of large scale units where it is contemplated that small scale units can be economically efficient and socially desirable, but it cannot by itself ensure the growth of the small scale units. It can similarly prevent the bringing into existence of industrial units which are either of low priority or which in their operation would require large scale maintenance imports over a long period. But it cannot by itself help bring into existence the more desirable industries. All these limitations of licensing as an instrument have to be taken into account when considering its future role.

#### Detailed Industry Plans Essential For Licensing

Our review of licensing has clearly revealed that one of the reasons why licensing is ineffective in most cases is that there is no properly worked out overall framework or plan of development on the basis of which individual decisions on licensing can be taken by the

concerned authorities. If a licensing decision has to be a rational one, taking into account the overall requirements of the industry and the economy, it has necessarily to be based upon a previously worked out detailed plan of development of the particular industry. This would have to be a plan which fits in with the overall scheme of economic development contemplated for the country and the expected inter-industry relationships in the projected period. It has also to take note of the available technologies and in view of these, decide what would be the optimum one in our conditions and for how many projects, what the total number of projects should be and how they should be phased, what the locational distribution of the projects should be and which of the locations should come earlier and which later.

Moreover, taking note of the fact that in many industries the gestation periods run into a few years and in some they may run for longer than one plan period, the licensing decisions taken during one plan period have to be related to the scheme of development envisaged not only for that plan period but for the next one, if not for the next but one. The detailed plan for the industry has, therefore, to cover a ten year period, if not a fifteen year one, and it has to be coordinated with the overall perspective plan for the country. Detailed planning would necessarily for all the industries where industrial licensing is to be used as a positive instrument for co-ordinated and planned development. Without detailed planning, decisions relating to applications for licences, whether in terms of size, technical process or location would continue to be ad hoc and purely discretionary in character. In that case, the various faults that the licensing system has been found to suffer from cannot be avoided.

### Licensing In The Core Sectors

With all the possible improvements in the machinery for detailed industrial planning—both in the Planning Commission and in the various Developmental Agencies such as the Concerned Ministries, the D.G.T.D. and other technical authorities, the Development Councils, etc.—it is not likely that such detailed and fully co-ordinated plans will be formulated in respect of all the industries that are included in the schedule to the IDRA. What is important, however, is that industries that constitute the basic, strategic and critical sectors of economic development should be so planned. This would include all the industries whose products enter into the production processes of a large number of industries, those which are potentially capable of production for defence requirements and those whose development is crucial for the overall economic growth of the country. This sector may include industries such as

basic metals, heavy machine building and heavy chemicals. As indicated in our review, especially in Chapter VII in this report, a major reason for plan priorities not being observed in the licensing process was that the overall requirements of investment as well as foreign exchange, if all the targets laid down in the plans were to be attained, were much larger than the available resources. The result was that the grant of an industrial licence could not ensure that resources for the setting up to the industrial unit would actually be available. There was therefore, a scramble for resources in which priorities often came to be overlooked. Once it is decided to work out detailed plans for the sector comprising basic, strategic and critical industries, it will be possible to ensure that licensing decisions in these fields are based on the framework provided by these plans. This would provide criteria to ensure rational decisions and avoid ad hoc and arbitrary ones. It is true that a significant proportion of the projects to be developed in this sector of industry might be those reserved for the public sector. To that extent, of course, licensing would not be important. However, it is likely that quite a number of projects even in this area would have to be developed in private or rather the 'joint-sector' as we have explained above. Here, licensing can play a crucial role because proposals submitted by different applicants would have to be considered within the framework provided by the plan for the industry. Because of the existence of the framework, and also because the number of proposals to be considered would be small in relation to the machinery available for scrutiny of the applications, the examination could be more meaningful and not superficial as in the past.

It appears to us that in the present circumstances, the use of industrial licensing as a positive instrument should be confined to industries which come within the basic, strategic and critical sectors for which detailed industry plans should be prepared. At the other end of the spectrum we contemplate the use of a system of reservations and bans for the purpose of preventing undesirable developments. Reservations should be mainly utilised, as to some extent they are already being utilised, for the purpose of protecting certain areas of production for the development of small scale industry. Leaving aside the comparatively small area of traditional and village industries, the most important and crucial development in this field is that of modern small scale industries. From the time of the Karve Committee's Report, it has been envisaged that after a certain period of protection, with proper technical guidance and the development of financial and marketing facilities, units in this sector should be able to withstand competition from large scale units. Therefore, the reservations would be temporary. The D.C.S.S.I.

continues to work out lists of areas where such reservations are recommended by it; and these are examined by Government and decision on reservations and bans are taken. In our view, this policy of reserving certain areas of production for appropriate periods of time for small and medium industries is the right one and should be continued.

Bans on the creation of further capacity should be utilised for preventing the development of industries whose growth for any reason is considered undesirable for a period of time. In particular, there may be industries producing non-essential luxury goods which are likely to make large drafts on scarce resources. We do not contemplate the use of bans against all industries producing luxuries, but only such as would make inroads on essential development through their use of scarce resources, including foreign exchange. In our view, it is more useful to ban further-development of such industries for a definite period of time rather than license limited development and then find that the actual development is far larger than what was permitted. Limited licensing in such industries, which would obviously not belong to the core sector of detailed industry planning, would also have the disadvantage that licensing decisions will have to be ad hoc. With profit possibilities, there would be many pressures and the weaknesses of the licensing system will thus necessarily lead to its misuse, as we have seen. Hence the imposition of clear bans should be preferred, especially in relation to non-essential products. Such bans should be reviewed not every six months or every year, for such frequent reviews create too much uncertainty and make long term planning whether by Government or by industry difficult.

Ordinarily they may remain in force for a five-year period. Where a particular industry has already developed to a certain extent, but in the interests of conserving resources is banned for further development for a whole plan period, appropriate steps must be taken through excise duties and other measures to ensure that the scarcity situation brought about by such a ban is not utilised by the existing producers to earn excessive profits.

It is also possible to consider the use of bans negatively for regional dispersal in the sense that further development of large scale industrial units in areas where there is already considerable industrial concentration can be banned. Such bans have been in operation in some metropolitan areas like Bombay. This principle can be applied further. This method will be more effective than attempting to use the licensing system to determine the location of a unit of industry, in that the entrepreneur will be clearly told where he will not be permitted to locate a new unit. The rest of the country

outside the banned areas will be open for him in order to decide an appropriate location on the belief that without detailed planning of the type mentioned earlier, positive guidance cannot be given by a central authority in the matter of location.

Various fiscal and other devices may also be used for the purpose of encouraging the location of industries in well-defined backward areas. The Five Year Plans through the development of infra-structure facilities have to some extent attempted to help this process. The licensing system can make a contribution to this mainly through bans on further locations in certain congested and over developed industrial areas. The imposition of such bans would be largely a matter for the State Governments. While the Central Government may have the legal authority to take such decisions, it may perhaps be more appropriate if such bans are decided upon and implemented by the State Governments. In the core areas where detailed planning would be done, licensing of course, would take care of a proper location policy for these industries.

The scheme of industrial regulation described above with a group of core industries on the one side where detailed planning will be done and licensing would be in force, and an area of bans on the other regarding particular products reserved for small and medium industries, other non-essential industries not to be developed and certain locations banned for further industrial development, leaves a large middle area. The crucial question is what is to be done about this remaining area: whether it should be completely delicensed, or it should be subjected to partial licensing in one way or the other. We find that two approaches have been suggested to deal with the industries in this area. Professor Hazari's suggestion of raising the exemption limit for licensing purposes to Rs. one crore of investment would be in this view reduce the number of units which will have to apply for licences and also automatically eliminate from the field of licensing industries whose optimum size of operation is comparatively small. At the same time, giant units of all kinds would be subject to the rigour of licensing. The Planning Commission has taken a somewhat different view. For delimiting the area where licensing should remain in force, the criterion, the Planning Commission seems to emphasize is that of foreign exchange.

The Planning Commission's view is that even industries which may not belong to the basic and strategic category but where the capital equipment in the nature of imports required exceeds 10 per cent of total capital value should be subject to licensing. It has also added that industries where the proportion of maintenance imports is high would be subject to licensing. It may be true that foreign exchange is at present the most critical

resource for the economy and, therefore, industries which require a substantial share of it should be subjected to rigorous scrutiny. However, since it is not contemplated that detailed plans for the development of these industries would be prepared, the decisions of the licensing authorities as well as those of the Capital Goods Committee would be subject to the same vagaries of discretion and adhocism to escape from which the Planning Commission presumably supports the removal of other industries from the scope of industrial licensing.

It is not within our field of inquiry to go into the details of measures which can be taken to enable the demand and supply of foreign exchange to be brought into balance. Various devices can be thought of which would raise the effective value of foreign exchange to particular categories of users to a level where the pressure on the foreign exchange allocating machinery can be significantly reduced. To the extent that industries in such categories are non-essential or less essential, some of them can be included in the 'banned' list. Others may be exposed to the rigours of devices where in effect they will pay a much higher price for foreign exchange. If such measures, fiscal and other, are taken, it would not be necessary to subject these industries to industrial licensing for this purpose.

The Planning Commission has pointed out how important it is that basic and strategic industries should be carefully planned, their effective performance ensured and their development closely watched. The grant of a licence in such a case becomes a matter of privilege, which makes certain that the licensee obtains credit, foreign exchange and other scarce resources speedily so that the development of the licensed units takes place in the shortest possible time. If this is to be done for the core industries, and at the same time, licensing is to be maintained for a number of non-core industries merely on the ground of non-availability of foreign exchange, not only would the discretionary and irrational element in licensing remain but the character of industrial licensing would also not change as recommended by us.

In our view an industry should not be included in the core and therefore, subject to the full rigour of positive licensing only on the ground that it requires a large amount of foreign exchange for its development and operation. It may be right to take into account the scarcity of foreign exchange when deciding whether the industry should or should not be included in the core. But if it does not satisfy the basic criteria for inclusion in the core, it should be possible to devise measures other than licensing, which would subject it to some kind of market mechanism for controlling and guiding its development and operation. If the development of

the industry can be safely postponed for a five-year period, a ban should be imposed on its development thus preventing any utilisation of foreign exchange by it.

As we have mentioned earlier, it is our view that while licensing is an important instrument of regulating and guiding industrial development, it is not the only instrument. Various other instruments, the most important among which are fiscal measures and financial assistance, have also to be properly used for the attainment of the major objectives of the Industrial Policy Resolution and Plans. We have already indicated how every project that requires an investment of some magnitude applies to public financial institutions for assistance. Part of this assistance is also provided in the form of foreign exchange loans to meet the import requirements of the project. It is necessary that public financial institutions before granting assistance should take note of the overall goals of industrial policy plans. They should consider not only whether the particulars proposal is a sound one, in the sense that it is likely to prove technologically as well as financially a success, but also whether it deserves to obtain support from the limited capital funds available with the institutions. Broad guidelines in these matters need to be laid down by Government in consultation with the Planning Commission, and these should be invariably followed by the institutions. There is also no reason why the institutions should not discriminate between priority industries and non-priority industries in the matter of grant of loan or rate of interest. In view of the economic conditions in our country and the scarcity of capital, the rates charged by public financial institutions are low. There is no reason why the benefit of such cheap credit should continue to be available to non-priority industries. Similarly, when scrutinising proposals for assistance, the financial institutions should exercise greater care than they do today by way of examination of proposed locations, processes, plant and machinery and other aspects of the project to ensure that overall considerations of efficiency from the national view point are kept in mind, when taking these decisions. Such purposive use of financial assistance is likely to achieve more positive results in the non-core industries than the mere use of industrial licensing.

This approach account for the fact that even in non-priority industries of any considerable size, a large amount of the capital necessary to get the project going would come from the public financial institutions. The duty of the financial institutions in respect of applications for assistance from non-priority industries must also be to examine whether as between different applicants, applications of concerns connected with the Larger Houses should be rejected and other applications should

be granted. If Government declared this to be its policy, it should not be difficult to insist that the financial institutions implement it rigorously. We are later making the recommendation that licences for non-priority industries should not as a rule, be granted to concerns belonging to the Larger Industrial Houses and associated concerns. But this should not absolve the financial institutions of the responsibility of making an independent examination of each application to determine whether it is of concern connected with the Larger Houses and hence liable to be rejected.

#### Limited Use Of Licensing In The Middle Area

We have indicated in the above paragraphs how various other instruments, especially public financial institutions, can be effectively used for the attainment of important objectives of industrial policy and Plans. This does not, however, mean that industrial licensing has no role to play in the middle sector that is neither included in the core nor covered by bans and reservations. We think it necessary that in the main the development of industries in this middle area should be left free, subject to market forces and fiscal and financial devices. But this should not lead to concerns belonging to the Larger Houses dominating this area, which ordinarily they would be able to do by virtue of the larger resources at their command and other advantages that they enjoy. It is our view, therefore, that for the limited purpose of preventing such a development, industrial licensing in this area also should continue. Licensing under the IDRA should continue to apply to all units in the Scheduled Industries except those which are below the exemption limit of Rs. 25 lakhs. But applications for licences in this area should be freely granted except in the case of certain types of applicants. It is our view that concerns belonging to Houses which are already quite large in size, such as those included in our classification "Larger Industrial Houses", should concentrate their resources on the development of complex and heavy investment industries which would mainly belong to the core sector. Similarly, foreign concerns—either subsidiaries or branches of foreign concerns—should be permitted only in that sector. Industries outside the core should be open for development only by entrepreneurs not belonging to these categories. Therefore applications from concerns belonging to Industrial Houses whose total assets exceed a specified size say Rs. 35 crores, which has been our basis of classifying the Larger Industrial Houses, as well as those from foreign concern should be automatically rejected in the case of industries in this middle area. Government will also have to revise this list from time to time, as the increase in the assets

of other business groups renders them liable for inclusion in this category.

Thus for this middle area the licensing system will operate essentially as a negative instrument, preventing the establishment of units by the Larger Industrial Houses and foreign concerns, and leaving the area free from development by others. The grant of a licence in this area would obviously be only a permission and will not carry any approval or guarantee regarding the grant of financial assistance, foreign exchange or other facilities. They would be entrepreneur would have to obtain these on merit under the constraints of fiscal and monetary measures that we have already mentioned above.

We have also mentioned earlier that Government has delicensed certain industries in the last few years. Some of these would belong to the core sector; others would attract the provisions for bans and reservations recommended by us. Even the industries that remain out of these two categories should obviously not continue to be delicensed. As recommended by us, they should be subjected to licensing for the limited purpose of restricting entry of Larger Industrial Houses. We, therefore, suggest that the entire list of delicensed industries be reviewed in the light of our recommendations.

Our approach, therefore, is that licensing as a positive instrument of industrial planning and development should be used for the core sector i.e. the group of industries for which detailed industry plans will be prepared. Some other areas of industries would be subject to bans and reservations so that no new large scale industrial units can be established, no substantial expansion can take place or the products produced through diversification of existing capacities. In the remaining area licences would be freely granted to applicants not belonging to the Larger Industrial Houses and foreign firms. This middle area would be subject to licensing only for the purpose of preventing the entry into this area of concerns belonging to the Larger Industrial Houses and foreign concerns. In case Government considers that an exception should be made for certain industries either because the investment required are large, the technology complex or foreign collaboration vital, the exception will have to be specifically justified and such an industry should be included in the 'joint-sector' with considerable participation by the State in its management.

We realize that in this middle area, in spite of the use of fiscal devices and more purposeful use of financial assistance, it is possible that free grant of licences may lead to wrong developments. There might be some waste of resources through excess capacities in some industries and inadequate capacities in others

the locational balance may not be quite what it should be, and technology either outdated or ultra modern, unsuited to the present stage of India's economic development, might be introduced. All these mistakes can possibly occur in some industries to some extent, but these are risks inherent in this approach. The main point is that our review of licensing as well as the possibility of improving the system suggests that the maintenance of licensing over the whole area is not capable of preventing such mistakes. It is likely to perpetuate a number of abuses of the discretionary authority vested in Government in areas where detailed planning is not possible. The solution suggested by us will be we think, less harmful than the maintenance of licensing in its present form.

**The Core Sector :** An Important Question arising out of our recommendation would be regarding the industries that are to be included in the core sector. The Planning Commission has defined the core sector as industries "involving significant investments or foreign exchange." The commission has also indicated that in our view, the core sector should include all the basic, strategic and critical industries, and no single criterion such as that of foreign exchange requirements should govern the definition of the core sector. It is also obvious that the core cannot remain fixed for all times. As the economy develops and certain industries get established, industries formerly in the core sector might no longer remain so while some new industries, whose development might not have been possible earlier, might be brought in. A comparison of the priorities in the field of industry as laid down in the different Five-Year Plan documents from the First Plan to the Draft Fourth Plan indicates how, to some extent in the light of the development of the economy as had already taken place, the concept of priorities and, therefore, of essential and the core group has been changing.

The list of core industries should not grow so large that detailed long-term planning on a competent scale as an essential part of the total perspective plan for the country can not be effectively undertaken. At the same time, the criteria for including an industry in the core group should not change very frequently. For reasons already explained, detailed planning in major industries is bound to spill over more than one plan period, if not longer. We assume that the Planning Commission and other appropriate authorities will keep these considerations in mind when they decide what industries should be included in the core group. We also assume that the preparation of detailed industry plans for the core sector will be organised by the Planning Commission and other authorities at a very early date unless this is done, the new approach to the

development and regulation of the core sector recommended by us cannot be efficiently implemented.

### Streamlining Of The Licensing System

Thus it is our view that, with all its defects the industrial licensing system has an important role to play in planned industrial development. We, however, envisage a more purposive and rational use of the licensing instrument. It is also essential that licensing should be accompanied by the use of other instruments, especially financial assistance and fiscal devices, in proper co-ordination for regulating, guiding and assisting industry in the private sector. It is also necessary that the operation of the licensing system should be streamlined. In our view, the IDRA provides a good framework for the licensing system as we envisage it. All Scheduled industries, except those belonging to the small scale sector, would continue to be subject to licensing.

It may also be necessary to add some industries to the schedule so that their development can be properly regulated.

While applying these recommendations, care will have to be exercised about certain matters. We have already indicated that where Government decides to ban the creation of further capacity in certain industries, either because they are non-essential or because further development in them is reserved for the small scale sector, established producers should not be permitted to obtain large profits as a result of such bans. So also, wherever as a result of licensing restrictions of one kind or the other capacity is restricted and it is found that output is significantly short of demand, similar measures will have to be taken. These may take the form of price controls or, where that is not considered practicable, of excise duties so as at least to ensure that the profits arising from such restrictions mainly go to the public exchequer and not to private pockets.

Certain components or materials needed by small scale industries have to be produced on a large scale for technological and economic reasons. We suggest that proper measures should be instituted to ensure that the small scale sector is able to obtain these on fair conditions relating to price, quality and delivery period. One possible method of ensuring this would be to permit only those producers who are themselves not engaged in the business of producing the final product in competition with the small scale producers. Preference might perhaps be given to co-operatives of small producers in this respect.

### Procedural Reforms

The implementation of the reformed licensing policy on the basis suggested by us can be effectively ensured



only if a number of other reforms in the organisation and procedures of the system are brought about speedily. It has already been emphasized that under the new approach to licensing, the core area would be a privileged area. It should not therefore, be necessary to delicense any priority industry to secure its speedy development. Where the development of an industry is crucial to the economy, it should belong to the core and therefore to the fully regulated area in industry. Once a licensee has been given a licence in this area, he should be accorded priority in matters like capital goods authorisation and approval of foreign collaboration. We found that the work of the different bodies like the Licensing Committee, the Capital Goods Committee and the Foreign Agreement Committee was not sufficiently well coordinated in the past. We would stress the importance of adequate coordination in the working of these bodies with a view to facilitating the speedy implementation of projects in the Core Sector as also to ensure that capital goods imports authorised are really essential for creating the capacity licensed. In our view fiscal and other devices should be so used as to make foreign exchange for low priority industries significantly costlier as compared to the core industries. Otherwise the system of licensing proposed by us for the middle area might perpetuate ad hoc decision-making at the capital good authorisation level though eliminating it at the licensing committee level.

#### **Applications For License Scrutiny And Decisions**

The setting up of a new unit or substantial expansion of an existing undertaking in the schedule industries would continue to require a license under the IDRA. As we are contemplating that in the middle sector of industries, industrial licenses would be freely granted except to applicants belonging to larger Industrial Houses, applications for units in these industries may be entertained at any time. The information contained in these applications should be adequate for scrutinizing whether the applicant in any way belongs to a larger Industrial House or is a foreign concern, and also to ascertain whether what is proposed to be done infringes the area covered by the bans and reservations specified by the Government. The applications should also furnish adequate information about the project proposal which would be needed by the planning agencies in these fields. Proposals in regard to industries in the core sector where licensing will be based on detailed industry plans will, however, have to be differently treated. In this area, we are expecting that detailed industry plans would be available as a basis for licensing. For example, the number of projects to be licensed in a particular area, their broad locations and phasing,

the alternative technical processes open in view of the availability of raw materials etc., would be adequately known. It is necessary that this information should be made public and applications invited within a certain period of time. The information to be supplied by an applicant should be sufficiently detailed to make a real scrutiny of the alternative applications possible. While it is understandable that at the first application stage, details about processes, foreign collaboration and a few such matters wherever detailed studies and negotiations are involved cannot be provided, the applications should be based upon adequate study in the nature of what is termed as a preliminary feasibility report. Any application that is sent in without such a proper study should be rejected. Scrutiny of applications and subsequent discussions and correspondence cost Government quite large amounts. To make certain that applications are not frivolously made, it is necessary that the application fee should be substantial in the core group of industries. The receipt of applications for different industries should be so phased that the various authorities concerned would not have too much pressure of scrutiny work at one time.

The scrutiny of applications may require that the procedures will have to be asked for some additional data. But except for very substantial reasons, the scrutiny of all applicants should not be held up because some applicants has failed to provide adequate data in his application. It should be possible for the initial decision regarding the choice of a party to be taken within the period of three months prescribed under the rules and a Letter of Intent should issue after such scrutiny. It is necessary to make it clear that the grant of a Letter of Intent is a matter of some importance because the grant of a letter to one party for a project is bound to mean that other parties interested in some project would have to be refused, and in case the party to whom the Letter of Intent is issued is not successful in its efforts, not only would the opportunity to establish the project have been denied to the competing parties but the growth of the industry itself would have been delayed. The first scrutiny for the issue of the Letter of Intent itself would, therefore, have to be careful and based on a feasibility report, as mentioned earlier. The Letter of Intent should also lay down a phased programme of how the party selected should proceed. The expectations about what it has to do, and within what period of time, should be clearly and realistically laid down so that the applicant can be held accountable for not fulfilling these terms. As we have already suggested that core industries should be treated with high priority in matters like capital goods authorisation and foreign collaboration agreements approval, it should be possible for the party obtaining the Letter of

Intent to be able to finalise its proposal within a comparatively short period of time. After this a license should be issued to the party.

The scrutiny of applications should also take note of who the applicant is, and especially whether the applicant is merely acting or some other industrial interests or is himself genuinely the promoter of the proposal. We have seen cases of applications of individuals being considered without any indications in the records regarding the party on whose behalf they are acting and any investigations of their capacity to implement the licenses granted. It is also necessary that the scrutinising authorities, where necessary with the cooperation of Company Law Administration, indicate what the standing of the party is, what its affiliations are and also state what is its past record regarding the implementation of other licences. As a result of the data processing system that we are suggesting later, we hope that all the information on these matters would come on record.

The licence itself should lay down in clear and concrete terms the programme of implementation of the licence. At present the licensee has to take "effective steps" within a period of six months and implement the licence in a given period of time, while there is no precise definition of both "effective steps" and "implementation." This is clearly quite adequate for the purpose of ensuring effective implementation. We have already explained how the result of this has been that large numbers of licences have remained unimplemented and capacities pre-empted, thus affecting adversely the growth of the industries concerned, and, therefore, of the economy. To some extent the manner in which the "effective steps" have been defined and the lack of any phased programme of implementation made it inevitable that no adequate check could be exercised regarding the progress of implementation. We suggest that specific time-limits and concrete steps of implementation should be laid down at the time of the grant of a license in the core sector and a Form of Return devised which would provide information regarding implementation as compared to the agreed programme. It is also necessary to organise a system of scrutiny of these Forms which would speedily bring cases of delayed implementation to the notice of Progressing Authorities.

**Penalties :** It is essential that the failure to carry out obligations regarding implementation should carry penalties so that Letters of Intent or Licences are not obtained by applicants, who have no intention or serious desire to implement them. We would also suggest that for all important transgressions of the directives issued under IDRA, adequate penalties need be imposed. We have come across a number of cases where producers

have installed capacity far larger than licensed and have actually produced outputs much larger than the capacity licensed to them. Sometimes certain concerns are even found to have produced items for which no capacity was licensed to them. Such producers are often leniently treated by Government. It is our view that taking a lenient view of transgressions of this kind removes all teeth from the licensing regulations. It should, therefore, be made clear that transgressions will not be tolerated and penalties for such transgressions will be heavy.

#### List Of Concerns In The Large Industrial Sector

We have indicated earlier how we were handicapped in our work because after the MIC had submitted its recommendations, efforts had not been made by any governmental agency to keep information about the large business groups up-to-date. We think it necessary that some Governmental agency should be entrusted specially with the task of collecting information about the Large Industrial Sector so that it would be easily possible to identify concerns belonging to it. This is specially important in view of our recommendations that licences in the middle sector should ordinarily be refused to concerns belonging to the Large Industrial Houses and Foreign concerns. The list of such house information about their composition must be kept up-to-date for this purpose. This may also be of use in the working of the Proposed Monopolies Commission.

**Foreign Collaboration :** Our study of foreign Collaborations has indicated that there are many lacunae in the implementation of the overall policy regarding foreign collaborations as officially laid down by government in 1949 and reiterated from time to time. Some of these may be rectified as a result of the new procedure that has recently been laid down together with the Constitution of the Foreign Agreements Board. However, we have been struck by the fact that even basic data about the terms of all collaboration/agreements, leave alone how they have operated in practice, are not readily available in Government. It is likely that the formulation of the policies has to some extent been handicapped as a result of the information gap. We recommend that a full scale study of the foreign collaborations that have been approved by Governments in the period since 1949 be organised so as to bring together all relevant data and help draw lessons for future.

**Structure of Financial Institutions :** The main conclusions that we have drawn from the studies we have conducted on the working of the financial institutions have already been stated in the last section of Chapter VII. Our review suggests that one of the weaknesses of the financial institutions was the lack of effective coordination among them. To

some extent, this position has been rectified by Government decision that the IDBI should act as an apex term financing institution and by making the IFCI virtually its subsidiary. It does not however, seem to us necessary to have the IDBI as well as the IFCI operating practically in the same field, and sometimes both of them giving assistance along the same lines to the same project. While there might be some justification for keeping the IFCI as essentially a private sector financing agency, there is no such justification for duplication between the IFCI and the IDBI. We would therefore urge consideration of the following alternatives. The IFCI could merge with the IDBI; alternatively, the operation of the IFCI could be confined to project of a certain size and those of the IDBI to projects above that size. The IDBI would, of course continue to exercise functions of guiding and co-ordinating the policies of all financing institutions. The IDBI would also be in a good position to influence the working of State level institutions such as the SFCs and the SIDCs through its refinancing activities. It is necessary that the Scope of IDBI's refinancing is extended to cover the SIDCs and that it develops special staff to guide and supervise the functioning of these State level institutions. If Government decided at any stage to define some regions and States as backward and special steps are taken for helping their industrial development, the limits of refinancing in any such regions or States might be put at a higher level by IDBI. Careful and expert use of its refinancing policies can make IDBI a powerful force in guiding industrial development throughout the country.

As regards the other financial institutions, we do not see any special merit in the investment institutions such as the LIC getting involved in the grant of term loans to Industries. It is appropriate that these institutions should confine themselves in this field to the functions of underwriting and investing in shares and debentures of private sector and joint sector industry. The development by the SBI of term financing activities might be considered appropriate in view of the large coverage of the State Bank and its subsidiaries throughout the country. We suggest that this activity of the SBI should be directed to help in particular small and medium industries and the newly coming up entrepreneurs and not mainly to provide additional term finance to already well established houses.

We have noted that all these financial institutions are directly or indirectly under the supervision of Ministry of Finance and there is no organisational relationship between them and the Ministries directly concerned with industrial development. We do not know to what extent in practice, the policies followed

by the financial institutions are discussed between the Ministries concerned. We think it necessary to draw attention to the point that the Ministries directly concerned with industrial development should be closely associated in some way with policy making and direction of the financial institutions set up for making industrial development.

**Guidance and Assistance to Industry :** The term financing institutions have not organised themselves adequately for the work expected of them by building up expertise and competence for scrutiny of proposals on the one hand and provision of technical assistance to new and independent entrepreneurs on the other. This is a vital part of the functions of these institutions, unless this is adequately performed, the domination of the existing Large Industrial Sector cannot be adequately restricted while this will have to be done by all the institutions, at the State level as well as the All-India Institutions, the IDBI should play a special role in this. It should build up an adequate body of expertise to be able not only to scrutinise projects within its own field but to help other financial institutions in this respect. This may also assist the IDBI to take over the responsibility mentioned earlier regarding the equity holding of the State in the private sector institutions. In view of the heavy responsibilities that we have suggested should be undertaken by IDBI, it will have to build up its own separate organisation under an autonomous management.

**Assistance to Large Sector Concerns :** Regarding the question whether the public financial institutions should discriminate between would be borrowers on the basis of whether they belong to the Large Industrial Sector or not, it is our view that the primary distinction should be between priority project and non-priority projects. The former should always get financial assistance to a larger degree, more expeditiously and on better terms than the latter. At the same time, it would be necessary for the financial institutions to examine whether the 'promoters and collaborators are doing all they can to find an adequate proportion of the project cost on their own. Business groups should not be permitted to obtain funds from these institutions while using their own funds for low priority purposes, especially in areas where quick profits can be made. We are not convinced from our study that financial institutions have always taken care to scrutinise this aspect of applications for assistance. However, we would like to repeat our observation made earlier that in the middle area (non-core industries) the financing institutions should encourage new applicants not belonging to the Larger Houses. At this stage we also consider it necessary to mention that we have received a number of complaints from the representatives

of small and medium industries that the criteria for assessing credit worthiness and for granting financial assistance are too rigid and do not make an allowance for the difficulties faced by the small industrialist. These complaints deserve proper examination.

**Underwriting :** As regards assistance provided in the form of underwriting, the fact is that large proportions in underwritten issues have developed on term financing institutions, though they have not always wanted to hold them. This is an indication that their expectations about what the capital market would take on the basis of their support were in many cases not well founded. One can understand that this may happen in the case of comparatively less known concerns where it is the responsibility of the financial institutions to assist a public issue of shares through their underwriting. But when this happens to a greater extent in the case of concerns belonging to Large Industrial Houses, it is clear that underwriting has become merely another method of providing further assistance to the Large Industrial Houses, it is clear that underwriting has become merely another method of providing further assistance to Large Industrial Sector. In this way, almost interest free funds are made available for long periods of time to Large Houses. This has a bearing on the overall problems affecting the capital market and we do not want to go further into them. It appears to us that if the capital market is not likely to take up new equities and debentures on a large scale even with the support provided by financial institutions, it is much better that the institutions provide assistance in the form of loans for projects which are considered worthwhile, rather than underwrite issues which largely devolve on them. These may take the form of loans or debentures convertible into equities at the option of the institutions.

**Public Sector Financing :** Another question relating to the operation of the financial institutions is regarding whether they should extend the scope of their activities to cover corporations and companies in the Public Sector. The SBI and its subsidiaries provide short-term credit to these as also to private sector concerns. The IDBI has recently announced that it will hence forward enter the field of financing public sector concerns. It is only appropriate that core industries should enjoy priority in financing and the fact that they are in the public sector should not be to their disadvantage just as the fact that they are in the private sector should not be to their advantage. The LIC already invest in the securities issued by certain types of public sector concerns such as the electricity and housing boards. There is no reason why it should not be possible for it also to hold

shares and debentures of other public sector concerns provided of course that holding such securities would also be justified in the interest of its policy in holders.

**ICICI :** We have already indicated that the ICICI was set up especially as a private sector financing institution. We have also noted that the initial object that its shareholding should be so spread out that no business interests are able to dominate over it was not attained. We do not understand why Government has agreed that in spite of the LIC having a substantial share-holding in the ICICI, it should not participate in its management. In keeping with our overall recommendation about the effective use of equity holdings in the hands of the State and State-sponsored institutions, it is necessary that no exception of this kind should be continued in the case of the ICICI. Government already has a representative on the Board because of the interest-free loan that it has given to ICICI. We hope that Government, through this representation on the Board, will ensure that ICICI also follows policies, which are recommended for financial institutions and in keeping with the original objectives with which the ICICI was set up.

**Boards of Financial Institutions :** We have referred earlier to the fact that a large number of Government nominees on the Boards of Directors of the public financial institutions are industrialists. A significant number among them belong to the Large Industrial Sector. It is our view that to some extent that this has been responsible for the undue advantage that the Large Industrial Sector concerns obtained in the assistance provided by these Institutions. While it is necessary that these Institutions should have available to them the advice of persons with experience and knowledge of Industry, it is preferable that these persons should not be associated with Large Industrial Houses. It would be more useful to rely on professional experts such as Engineers, Economists, Accountants and Managers. We have already suggested that if these institutions are to play their proper role they will have to build up their own expertise and in the course of a few years it should not be possible to have a large functional element in the Boards of these institutions. Similarly, the IDBI or whatever institution is expected to represent the State on the basis of the public sector equity holdings in private sector concerns, would also have to take steps to build up a special cadre of full time Directors for this purpose.

#### The Maintenance And Processing Of Information

Finally we may again draw attention to the major lacunae that we have observed in the collection, maintenance and processing data in the governmental organisations connected with licensing and related

industrial subjects. While considerable data are obtained from the applications for licences, capital goods and foreign collaboration agreements as well as the 'G' Form returns, these data, are so maintained and processed that no effective use of them either for the purpose of taking a proper decision in the particular case or for assisting overall planning of the industry is possible. We have already drawn attention to the point that the present system cannot even ensure that the applicant does not give different information at different stages of the processing of his proposal for licensing, capital goods and foreign collaboration. We have also drawn attention to the necessity of more data being obtained for purpose of security of different stages. It is however, necessary that mechanised data maintenance and processing methods should be used so that discrepancies can be detected automatically, checks are exercised rigorously and in proper time, and further use of the data for feedback in the planning process is facilitated. We have in the course of our work attempted to computerised the data collected by us, both on the licensing and the financing of private industry. Because of the inherent limitations of a Committee like ours, we had to improvise and experiment. There are various lines of analysis of the data collected by us that we could not pursue because of the limitations of time. However, certain essential and basic data on both these aspects are now available in a form where large scale mechanical analysis of them is possible. It is our hope that government will not permit this effort to be wasted and that step will be taken to continue and develop an effective system for the compilation, maintenance and processing of data on these vital aspects of industry.

The problem of ensuring that the country's attempts at economic growth lead to better opportunities and improved living for all and not to accentuating the already existing inequalities of income and adding to the concentration of economic power in the hands of a few dominant business groups has been in the forefront of policy discussions right from the time of independence. Attention has been specially focussed on this problem since 1960 and our committee was appointed after concern was voiced in Parliament on Prof. Hazari's conclusions that the licensing system had unduly helped the Larger Industrial Houses. We have attempted through our inquiry to indicate the extent

to which this fear was justified and what conclusion for policy and administrative action follow from it.

It is obvious that licensing and financial assistance have to be considered in a certain overall context. The framework for this is provided by the constitution and especially by the Directive Principles. The Government Resolution setting up the Planning Commission (1950) and the Industrial Policy Resolution (1956) both reiterate these Principles. The country has chosen the Path of planned economic development. The Industrial Policy Resolution sets out the approach adopted by Government in the field of industry in the context of the goal of a Socialistic Pattern of Society adopted by Parliament in 1954. Our recommendations fit in with this overall framework.

As Industrial licensing and financial assistance are only two—though important—among the many instruments available to Government for the attainment of national objectives, it is necessary to use these together. We have therefore, made certain suggestions about how the other complementary instruments should be used. We believe that it is quite practicable to implement these measures though we have left the details to be worked by appropriate agencies. All these recommendations are based upon an integrated approach to industrial and economic development.

Our recommendations about the refashioning of industrial licensing to make it more purposeful and effective, the reorientation and reorganisation of public financial Institutions and the development of the 'Joint Sector' all stand together and are aimed at attaining the basic national objectives of growth and equity. Moreover, their effectiveness depends a great deal upon other complementary steps, the most important among them being the laying down of specific guidelines on industrial policy, the refashioning of planning so as to ensure the formulation of detailed industry plans for the core sector, the strengthening and streamlining of licensing and financing organisations and building up their personnel, the adoption of appropriate fiscal and other devices and the Constitution of a Monopolies Commission. The improvements recommended by us will not yield adequate results unless Government implements the various reforms in policies, organisation and procedures as parts of an integrated approach to industrial policy and planning.

# NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR OIL REFINING AND DISTRIBUTION, 1967—REPORT

Delhi, Manager of Publications, 1968. 83p.+1 Chart.

Chairman : Shri N.N. Kashyap.

Members : Shri M.R. Idgunji; Shri K. Krishnamurthy; Shri H.V. Dhopeshwarkar; Shri G. Sundaram; Shri Raja Kulkarni.

Member Secretary : Shri V.P. Baliga.

## APPOINTMENT

The Study Group for Oil Refining and Distribution was constituted by the National Commission on Labour vide its Office Memorandum No. 3 (36)/67 NCL dated July 26, 1967.

## TERMS OF REFERENCE

To ascertain facts from the available literature on the subject, draw conclusions and suggest solutions to the problems posed by the Group for the Consideration of the Commission. The Commission may also pose problems for consideration of the Group from time to time.

## CONTENTS

Preamble; Introduction; Recruitment and Induction; Conditions of Work; Trade Unions and Employers Organisations; Industrial Relations; Wages; Incentive Schemes and Productivity; Social Security; Industrial Legislation; Labour Research and Information, Annexures from I to VI.

## RECOMMENDATIONS

### Recruitment And Induction

In the oil industry, whether in the private sector or the public sector and whether on the refining side or the distribution side, vacancies for the posts are notified to the Employment Exchanges and, if necessary, are also advertised in the press. The candidates who are introduced either by the existing Employees or Technical Institutes are also considered along with the candidates recommended by the Employment Exchanges or those who applied in response to the newspaper advertisements. Candidates who are prima facie considered likely to be suitable are generally given tests for assessing general intelligence and aptitude and later on are required to appear before the Selection Committee for interviews. The candidates who are recommended for

appointment by the Selection Committees on the result of their performance in the test and interview are selected for appointment. This system ensures fairness to all candidates. Before the selected candidate is actually placed on the job, he is introduced to the Head of the Department and the Departmental Supervisor and is explained the nature of duties that he will have to perform.

**Scarcity in Certain Categories :** Petroleum Refining industry is facing a scarcity of skilled technicians, such as, instruments technicians, fire fighting operators, boiler operators, electricians and process operators and proficient stenographers. To meet this scarcity, it is suggested that there should be wider educational and training facilities in these trades at the training institutions, such as polytechnics and/or under the arrangements made under the Apprentices Act, 1961. These activities may be supplemented by Companies' own training programmes.

When an industrial undertaking is started in a particular place, it generates expectations of employment opportunities among the people living in the area owing to the widespread prevalence of unemployment. There are demands from the local people that only the local people to the exclusion of people from other States should be employed in the undertakings. This difficulty is experienced particularly by Corporations such as the Indian Oil Corporation Ltd., having all-India operations. IOC have tried to overcome this difficulty by laying down a policy that in the matter of recruitment to posts below the rank of officers, preference will be given to the local candidates to the extent that suitably qualified and experienced candidates are available. Posts in this category are advertised on all-India basis only when suitable local candidates are not available. Execution of this policy is, however, not free from difficulties and complaints.

While on the subject of recruitment it is pertinent to point out that the oil refining industry is a capital intensive and highly automated and, therefore, a labour saving industry. It is necessary that the public should also be made thoroughly acquainted with this aspect because whenever a new refinery is started it generates expectations of employment opportunities far beyond the capacity of a refinery to absorb. There is an immense difference between the old refineries and the

modern ones. One of the most striking aspects is the diminution of work force. The following table shows the over-all manpower trend in the U.S. petroleum industry. It is given only by way of illustration and not for comparison with developments in this country as conditions differ from country to country.

### U.S. Refining Industry Empolnment and Throughput

YEAR	Employment in Thousands						Throughput in Thousand b/d
	Total	Per cent change	Production workers	Per cent change	Non-Production workers*	Per cent change	
1954	203.6	+1.3	141.6	-3.6	62.0	+4.4	6,958
1955	201.3	-1.1	136.4	-3.7	64.9	+4.7	7,480
1956	200.8	-0.2	135.4	-0.7	65.4	+0.8	7,937
1957	198.9	-0.9	132.0	-2.5	66.9	+2.3	7,918
1958	190.4	-4.3	123.0	-6.8	67.4	+0.7	7,606
1959	181.4	-4.7	115.2	-6.3	66.2	-1.8	7,994
1960	177.2	-2.3	112.8	-2.1	64.4	-2.7	8,058
1961	168.4	-5.0	106.1	-5.9	62.3	-3.3	8,183
1962	160.5	-4.7	100.9	-4.9	59.6	-4.3	8,410
1963	154.7	-3.6	95.8	-5.1	58.9	-1.3	8,687
1964	152.1	-1.7	91.9	-4.1	60.2	+2.2	8,858

\*Non-production worker=white-collar worker.

Source : ILO Petroleum Committee, 7th Session.

A few illustrations within our experience in this country may also serve to illustrate the point. Compared with the Esso and Cochin Refineries, the Public Sector Refineries at Gauhati, Barauni and Jawaharnagar employ more number of workers, which is due to a large extent to their having their own power houses, water supply system, very large townships, full-fledged hospitals, schools and transport system and the particular design and production activities as well as the manner of recruitment and induction.

Esso Refinery in Bombay has a total work force of 440 including both Supervisory and non-Supervisory categories. Cochin Refinery planned a total complement of 315 (69 Supervisory and 246 non-Supervisory) on the pattern of their experience abroad but has now a strength of 380. This refinery is a very sophisticated unit with one integrated control room. Even other activities like drum making, loading gantry facilities are highly automated. Man-power requirements and recruitment were carefully planned to avoid surpluses arising, and no age restrictions were observed. Cochin Refinery had the advantage of recruiting workmen and staff with several years of experience in the other refineries in the country as well as repatriates from the

Middle East and of getting all construction jobs done through contractors. Recruitment has been at the lowest level, where possible, and with matriculation as the educational qualification, followed by training mostly on the job.

\*If an evaluation is made for personnel requirements in terms of men per 1000 barrels, the resulting number shows a range as wide as 3 to 50.

**Refinery Complexity :** This has a direct effect on man-power requirements. The number increases as new units are added even though the overall refinery capacity remains unchanged.

**Refinery Evolution :** The old refinery with small parallel units requires substantially more men than a new refinery with large single units. It has been estimated that at a refinery which is technologically the most modern the work force establishment will be less than 200 for throughputs above 100,000 barrels per day. Shri Raja Kulkarni, Member, Study Group, felt that if

\*The contents of pages 7 to 9 about trends of employment in Refining Industry are based on ILO Petroleum Committee, 7th Session Report II, 1966.

there is any relevance about international comparison on the ratio of out-put to employment, a similar relevance should exist on the ratio of wages and output.

**Changing Structure of the Work Force :** The most important effect of the technological advance, which is taking place in the refinery design and construction is that there will be not only a diminution in refineries' overall manpower needs but there will be also a change in the structure and quality of work force. Qualitatively as well as quantitatively, the impact of technological advance on manpower requirements is at the maximum in refining. The rapidly advancing technology requires men with skills and aptitudes different from those which have been generally accepted in the past. Broadly, the future evolution may be expected on the following lines. The unskilled labour will scarcely have a place in any branch of petroleum industry. All heavy manual work will be and, in fact, has for some time been done by machines.

A craft qualification or the successful completion of secondary education is generally a qualification for employment in oil refineries and marketing. As to the needs of future refineries, it has been increasingly recognized that a worker with a single craft is insufficiently equipped to deal with multifarious requirements of maintaining modern plant/units. Craft demarcations are increasingly cumbersome when it comes to carrying out maintenance tasks where more than one skill is involved. The trend appears to be likely towards a multicraft worker capable of carrying out tasks in as many as 3 fields, i.e., mechanical, electrical and instruments. There is no doubt that workers with multi-craft qualifications will be evaluated higher than single craft workers and their importance will vary according to the skill and proficiency attained by them. A beginning in this new phase of training of workers in more than one craft has already been initiated by the Burmah-Shell and Esso Refineries. The relevant extract, i.e., Clause 'C' on better utilisation of man-power and equipment of the Memorandum of Settlement between the Burmah-Shell Refineries Limited, Bombay and its workmen dated August 19, 1967, is as follows :

"Craftsmen will be required to perform as part of their normal duties and/or responsibilities other work, which is connected with their own particular work. The underlying idea is that where there is work to be done for which the craftsman has the basic skill and which could as well be performed by the craftsman himself (if necessary after some appropriate training, most of the training to be on the job), such extended work shall be treated as part of the normal duties and/or responsibilities of the craftsman. This extended work is such as is related to and/or incidental to the

present duties and/or responsibilities of the craftsman concerned. The nature of the extended work will be such that it furthers safety of plant and equipment, improves efficiency, reduces avoidable delays and leads to better utilization of personnel and equipment. It is not intended that anything in this method of working which is in accord with modern thinking should jeopardize anyone's security of employment or render anyone surplus."

Clause 2 (a) of the long-term settlement between the Esso Standard Refining Company of India Limited, Bombay and their workmen is as follows :

"The existing crafts will be grouped into pairs of two crafts as shown in Annexure II. Within these consolidated crafts, the craftsman should utilize his existing skills in both the crafts and shall acquire additional skills within reasonable time to enable him to become proficient in the consolidated craft. The basis underlying craft consolidation is mentioned in Annexure II."

The most significant decreases in manpower requirements are taking place in the number of men engaged in controlling production units, pumping units, etc. With the increasing automation, the nature and character of work changes involving lesser manual activities, a fact which gives rise to the problem of boredom to a point where the individual's powers of attention are substantially affected. From this development emerges the concept of operator craftsman, a man perhaps already possessing levels of skill in more than one craft, who is trained both to operate the installations and to carry out a variety of maintenance tasks on it. Besides, there is the double advantage of saving man-power and of giving the worker considerable relief from boredom since firstly his tasks are varied and secondly his interest in the functioning of the unit which he controls is put on a higher level by added responsibility.

The long-term Settlement of Esso Standard Refining Company of India Ltd., referred to above provides for process operators carrying out in addition to their normal operations, such tasks as running and maintenance of 'on-stream analysers', minor mechanical work, driving heavy and light vehicles, etc.

Recruitment in the private sector marketing companies has been more or less at a stand-still over the last ten years. In fact, as will be seen from Annexure I, there has been an overall decrease in their total employment numbers. Correspondingly, there has been steady recruitment in the Public Sector (IOC) marketing organization since inception; however, the number of persons newly employed in IOC (Marketing Division) has been less than the number of persons by which employment figure in the private oil marketing



companies decreased.

There has been regular programme of induction for new recruits. Besides 'on the job' training, has been given by the oil companies for improving skills or acquiring new or alternative skills or vocation.

On the refining side of the industry, there has been an over-all increase in the total number of people employed. This is due to the fact that the number of persons employed in the public sector refineries is more than the number by which the total employment declined in the refineries in the private sector.

### Conditions Of Work

Conditions of work in the refineries and depots on the distribution side employing more than 10 persons are governed by the provisions of the Factories Act, 1948. Conditions of work at depots employing less than 10 persons are reported to be generally the same as at depots covered by the Factories Act, 1948.

The main provisions relating to safety and welfare, hours of work, rest interval, weekly off, occupational diseases, overtime payments, etc., are considered to be not inadequate. The staff employed in the administrative office of the refining and also of the distribution organizations of IOC are governed by the provisions of Shops and Establishments Act, provisions of which regarding conditions of work are also considered to be not inadequate.

The Union Representatives on the Study Group suggest that to make the implementation of the Factories Act more effective, Factory Inspectors should contact the Union Representatives when they visit the factories. They also suggest that overtime should be payable at statutory rates for work done beyond the scheduled daily hours.

The problem posed by paid festival holidays and annual leave with pay deserves serious consideration. Demands are likely in the future for increasing the quantum of holidays. The question of holidays has to be considered in its proper perspective and some fundamental and far-reaching thinking on this question seems to be called for in the interests of higher productivity in the industry. As it is, there are holidays galore in the Indian industry. The following extract from a hand-out of the National Productivity Council seems to be opposite :

"In India an employee in office or factory enjoys several leave and holiday benefits besides the National and Festival holidays. There are nearly 30 days paid earned leave, 10 to 15 days casual leave, more than 50 days sick leave with half pay and maternity leave. Look at other advanced countries. While the U.K. has 12 paid leave and USA 7 days, a Japanese worker enjoys only 6 days leave—the most productivity con-

scious worker in the world."

Both on the distribution and refining sides of the oil industry, the annual leave with pay granted to workers is in excess of what is provided for in the Factories Act. Annexure II gives the quantum of annual leave, sick leave, casual leave and maternity leave allowed in the Refineries and Marketing Organizations of oil industry.

In the oil industry, paid festival holidays have been reduced after suitable adjustments. It is felt that there is still scope for further reduction in a suitable manner.

On the recommendation of the Planning Commission in the Second Five-Year Plan, the Labour Bureau, Simla, was entrusted with the task of undertaking special studies in selected industries for finding out the extent and nature of contract labour. Among the industries covered by the Bureau are petroleum refineries and distribution and marketing organizations of the petroleum industry. In petroleum refineries the following types of jobs are generally being given to contractors for execution :

- (i) Civil, Mechanical, Electrical works for the construction of a refinery.
- (ii) Construction of Townships.
- (iii) Periodic grass-cutting and removal of weeds within the refinery premises.
- (iv) Modification of production units.
- (v) Erection of new machinery or special repairs to existing plant and equipment, such as at the time of periodic or emergency shut-downs.
- (vi) Periodic painting of buildings, structures, columns and other equipment.
- (vii) Temporary work pertaining to civil, mechanical or electrical construction which may become necessary for a running refinery.

On the distribution and marketing side of petroleum and its products, the study conducted by the Labour Bureau, Simla, revealed that the following jobs are entrusted to contractors :

- (i) Loading and unloading of bulk and packed products, stacking and unstacking of packed material, filling of tank wagons, tank lorries, barrels, tins, etc.
  - (ii) Carting of packed petroleum products from Depots to Railway Goods-Sheds and vice-versa.
  - (iii) Transporting of bulk/packed products from Depots/Installations/Terminals and up-country Depots or Agents. General maintenance of and repairs to plants, equipment and building, painting of tanks, etc.
- The above two lists of jobs given to contractors for execution in the refining and marketing division of the oil industry should be treated as illustrative and not exhaustive.

On the question of executing work through contract

system, the trend of judicial decisions is reflected by the following awards :

(i) The Madras Industrial Tribunal has observed as follows in an award given by it :

"The result is, the various items of work in relation to the maintenance of the installations and the premises (excluding the officers' quarters) are collectively works of a perennial nature to be attended to from day to day, so that the management will not be justified, according to the decision of the Supreme Court, to entrust any part of that work to contractors. The execution of such works through contractors must cease in the future and should be carried out through workmen engaged by the Company. Even now the Company has got a staff in the construction department for that purpose. If that staff itself is adequate for that purpose, no necessity will arise to entrust such work to a contractor or increase the strength of the staff. In case that staff is found inadequate, then the strength of such permanent staff must be increased, and the work should not be entrusted to a contractor."

(ii) In dealing with the question of abolition of contract system, the Supreme Court decision in the case of *Standard Vacuum Refining Co. of India Ltd. v. Their Workmen* is as follows :

"In dealing with the question of abolition of contract system it may be relevant to bear in mind that the industrial adjudication generally does not encourage the employment of contract labour in modern times. Whenever a dispute is raised by workmen in regard to the employment of contract labour by any employer, it would be necessary for the tribunal to examine the merits of the dispute, apart from the general consideration that contract labour should not be encouraged and in a given case the decision should rest not merely on theoretical or abstract objections to contract labour but also on the terms and conditions on which contract labour is employed and the grievance made by the employees in respect thereof. As in order matters of industrial adjudication, so in the case of contract labour, theoretical or academic considerations may be relevant, but their importance should not be overestimated."

Where the work done by contract labour is incidental to the manufacturing process and is necessary for it and of a permanent nature which must be done every day and is generally done by workmen in the regular employ of the employer, the order of the tribunal directing the management to abolish the contract system in respect of such work is just. The fact that the contract is a bonafide contract would not necessarily mean that it should not be touched by the industrial tribunals."

The following factors have been taken into consi-

deration by the Supreme Court in confirming the order of the Tribunal with the modification relating to the date of abolition of contract system :

1. That the work is perennial and must go on from day to day,
2. That the work is incidental and necessary for the work of the factory,
3. That the work is sufficient to employ a considerable number of whole-time workmen, and
4. That the work is being done in most concerns through regular workmen.

The Indian Oil Corporation Limited (Marketing Division) made the following provisions in the long term settlement signed with the Unions in 1966 :

Management will submit to the Unions within a period of two months from the date of this agreement, a list of jobs given on contract basis to outside agencies. This list shall include :

1. The job-description, names of the contracting parties, number of workmen involved, the date on which the contract is scheduled to expire.
2. The Unions, thereafter, will submit their reply within the next two weeks showing where contract system can be abolished immediately or gradually.
3. Thereafter the parties will jointly discuss and negotiate the jobs on contract system by keeping in view the decision of the Supreme Court in the case of *Esso Refineries (Stanvac Refineries), Bombay*, at the regional level.
4. The procedure as laid down in (1), (2) and (3) above, shall not prevent the parties to arrive at ad-hoc settlements on any job or jobs given on contract system without waiting for formalities.

The Tribunal appointed by the Government of Maharashtra in Reference (IT) No. 225 of 1965, between *Esso Standard Refining Company of India Ltd., Bombay*, and the workmen employed under it, has observed as follows in Part I of its Award, on the subject of abolition of contract system :

"The abolition of contract system is only justified, when workers engaged through a contractor do not enjoy the benefits and protection afforded to them by the industrial laws. If in any instance, therefore, it is found that employment of contract labour is inevitable on account of the temporary nature of work, or the amount of work varying to such an extent that it would not be practicable or economical to employ permanent workers, the contract labour has not been abolished. There are cases where the person or the concern through whom the labour is employed are amenable to the industrial laws. For example, indentors recruiting labour for working in some companies have been held by the Calcutta High Court to be industries in *Das (K.C.) and Others v. State of West Bengal* and

Others, 1960, II L.L.J. 505. The labour employed by them therefore can raise a dispute, and lay claim to all the protection, rights and privileges enjoyed by industrial workers. The Company which employs labour through them, therefore, cannot be said to be depriving the workers of any rights under the industrial law, and therefore, the Company cannot be compelled to absorb these workers in their own service, or be ordered not to employ workers through them. The objection to contract labour does not arise in their case. This will be so, wherever there is any concern, person or agency, which is recognised as an industry and gives or is liable to give to the workers all the benefits under the industrial laws. The order of abolition of contract labour and direct employment in such a case is not only unnecessary, but open to serious objections. One of them is, that it would mean recognising such concerns or agents as industries on the one hand, and making it impossible on the other, for them to carry on their business. Another objection is that it would mean in effect compulsorily transferring the services from one unit of an industry to another, a thing which the Industrial Tribunal has no jurisdiction to do. Another serious objection to which this course will be open is, that it would amount to passing an order against an industrial unit, curtailing and seriously affecting its business, behind its back, in a case between two different parties, without giving it an opportunity to be heard. This would be violation of a basic principle of natural justice. In the present case, therefore, where the labour is engaged through concerns which are industries, and amenable to industrial laws, no order of absorbing the workers on permanent roll can be made. I have dealt with the demand as it is raised not only against such concerns, but others and given the reasons why it cannot be entertained in case of any of the jobs. The demand is, therefore, rejected."

In the long term settlements recently signed by Burmah Shell with two Bombay Unions in 1967, the following provision is made :

"The Company agrees that it will not given out on contract, jobs which are now being performed by its own employees."

The Union Representatives on the Study Group stated that the employers in the oil industry were sometimes not adhering to the criteria laid down in the above decisions. The employers' representatives did not accept this statement as correct.

**Safety and Health :** The principal risks in the refining and storage and distribution of petroleum products are those of fire and explosion. The first risk, that of fire, is the most important and arises from the combustible nature of petroleum. Typical examples of accidents destructive of property, principally involving fire and

thereby causing danger to workers are those arising from mistakes in valve operations, fires from improper use of open flames, pump and machinery failures with the resultant ignition, tank fires. Two aspects of the fire-risk may be noted. On the one hand, petroleum and its products cause accidents during their manufacture, transport and utilization and, on the other hand, they also present secondary risks in cases where they escape outside their pre-determined channels. As may be concluded from the above, the greatest danger to which a refinery is exposed is a danger of fire. Every precaution is, therefore, taken to prevent a fire and to combat it immediately and effectively once it breaks out. Personnel trained in fire-fighting and fire-fighting trucks with ancillary equipment are kept ready at any time of the day and night. The important precaution against fire is the safety rule prohibiting smoking inside the refinery. A lighted match stick or a cigarette stub carelessly thrown may cause a disastrous fire. Annexure III gives the year-wise total number of accidents in the Marketing organizations and Refineries. Incidence of serious accidents is low. It has not been possible to classify the accidents according to their causes. Nevertheless, our general experience is that according to the extraordinary precautions taken against the risk of fires, accidents due to out-break of fire are very rare. On the other hand, the causes of accidents are the same as in other industries. It is true to say that accidents do not just happen, they are always caused. The problem is what we can do in the near future to minimize their incidence to the maximum extent possible. The following measures seem necessary and have mostly been adopted :

- (i) Definite work procedures.
- (ii) Adequate publicity for individual and plant safety.
- (iii) Elaborate precautions adequately publicized in the handling of dangerous/poisonous chemicals.
- (iv) Wearing of protective equipment when called for.
- (v) Provision of safety shoes and helmets, where necessary.
- (vi) Proper administration of safety programme as a direct-line function at all level of management.

This is the only way by which important aspects of safety can be made an integral part of day-to-day work of an employee.

Safety refresher courses should be and are, in fact, conducted in a number of Units for the good of employees at periodic intervals. The oil industry for its branches should evolve a safety code, as has been done in Esso Standard Refining Company of India Ltd., and Burmah-Shell Refineries, Departmental and even organizational safety competitions should be held

for keeping up the employees' interest in safety measures.

Medical fitness is a condition of employment in oil industry, as in other industries. Candidates selected at the interviews are to undergo medical examination before they are finally offered employment. Medical examination only at the time of initial employment will not clearly suffice. It should also be done at periodic intervals even during employees' service, as a part of preventive health scheme.

### Trade Unions And Employers' Organizations

The two Federations of Unions operating in the oil and industry are: (1) All-India Petroleum Workers' Federation, the National Federation of Petroleum Workers (India). The former is controlled by the AITUC and the latter by INTUC. There are also a few Unions which are not affiliated to any Federation or Central Labour Organization.

The Unions operating at the Refineries and in the Marketing organizations of the oil industry, and their affiliations to Industrial Federations are as follows :

#### Refineries

Refinery	Name of the Union	Affiliation
1. Assam Oil Co., Ltd., Digboi	Assam Petroleum Mazdoor Union	National Federation of Petroleum Workers (India) INTUC
2. IOC :		
(a) Chairman's Office, New Delhi	Indian Oil Delhi Employee's Association	National Federation of Petroleum Workers (India)—INTUC
(b) Refineries Division Headquarters, New Delhi	—do—	—do—
(c) Gauhati Refinery	Refinery Workers' Union, Gauhati	—do—
(d) Barauni Refinery	(1) Barauni Refinery Tel Shodhak Mazdoor Union (2) Barauni Refinery Employees' Union (3) Indian Refineries Mazdoor Mahajan	All-India Petroleum Workers' Federation Bombay—AITUC National Federation of Petroleum Workers (India)—INTUC —do—
(e) Gujarat Refinery, Jawaharnagar	Gujarat Refinery Kamdar Sangh	—do—
3. Burmah-Shell Refineries Ltd., Bombay	(1) Bombay Labour Union (2) Petroleum Workmen's Union (3) Process Operators and Analyst's Union (4) Burmah-Shell Refinery Clerks' Union	(Hind Mazdoor Panchayat) All-India Petroleum Workers' Federation, Bombay—AITUC — National Federation of Petroleum Workers—INTUC (Hind Mazdoor Sabha)
4. Esso Refinery, Bombay	Petroleum Refineries Employees' Sabha	
5. Caltex Refinery Vishakhapatnam	CORIL Employees's Union, Vishakhapatnam	National Federation of Petroleum Workers (India)—INTUC
6. Cochin Refineries Ltd., Ernakulam	Cochin Refineries Employees' Association	—

#### Marketing Organization

Name of Organisation	Name of the Union	Affiliation
1	2	3
1. Assam Oil Co. Ltd., Digboi	Assam Petroleum Mazdoor Union	National Federation of Petroleum Workers (India)—INTUC

(1)	(2)	(3)
2. Burmah-Shell Oil Storage and Distributing Co. of India Ltd. (a) Bombay Branch	(1) Petroleum Workers' Union (2) Petroleum Employees' Union (3) Hind Oil Kamdar Sabha Poona	All India Petroleum Workers' Federation—AITUC National Federation of Petroleum Workers—INTUC —
(b) Calcutta Branch	(1) Bengal Oil and Petrol Worker's Union (2) Petroleum Workers' Union	National Federation of Petroleum Workers—INTUC All India Petroleum Worker's Federation—AITUC
(c) Madras Branch	(1) Madras Kerosene Oil Workers' Union (2) Petroleum Employees' Union	National Federation of Petroleum Workers—INTUC All India Petroleum Workers' Federation—AITUC
(d) Delhi Branch	(1) Petroleum Workers' Union (2) Petroleum Employees' Association	—do— National Federation of Petroleum Workers (India) INTUC
3. Esso Standard Eastern Inc. (a) Bombay Branch	(1) Petroleum Workmen's Union (2) Petroleum Employees' Union (3) Hind Oil Kamdar Sabha	All India Petroleum Workers' Federation—AITUC National Federation of Petroleum Workers—INTUC (Hind Mazdoor Sabha)
(b) Calcutta Branch	(1) Petroleum Workers' Union (2) Bengal Oil and Petrol Workers' Union	All India Petroleum Workers' Federation—AITUC National Federation of Petroleum Workers—INTUC
(c) Madras Branch	(1) Petroleum Employees' Union (2) Madras Kerosene and Oil Workers' Union (3) National Union of Petroleum Workers	All India Petroleum Workers' Federation—AITUC National Federation of Petroleum Workers—INTUC —do—
(d) Delhi Branch	(1) Petroleum Workers' Union (2) Petroleum Employees' Union (3) Esso Employees' Union	All India Petroleum Workers' Federation—AITUC National Federation of Petroleum Workers—INTUC All India Petroleum Workers' Federation—AITUC
4. Indian Oil Corporation (Marketing) (a) Bombay Branch	(1) Petroleum Employees' Union (2) IOC Bombay Branch Employees' Union	National Federation of Petroleum Workers—INTUC —
(b) Calcutta Branch	Indian Oil Employees' Union	—
(c) Delhi Branch	Petroleum Workers' Union	All India Petroleum Workers' Federation—AITUC
(d) Madras Branch	Indian Oil Employees' Union	—

(1)	(2)	(3)
5. Caltex (India) Ltd.		
(a) Bombay Branch	(1) Petroleum Workmen's Union, Bombay	All India Petroleum Workers' Federation—AITUC
	(2) Petroleum Employees' Union, Bombay	National Federation of Petroleum Workers—INTUC
(b) Calcutta Branch	(1) Petroleum Workers' Union, Calcutta	All India Petroleum Workers' Federation—AITUC
	(2) Bengal Oil and Petrol Workers' Union	National Federation of Petroleum Workers—INTUC
(c) Delhi Branch	Petroleum Workers' Union, Delhi	All India Petroleum Workers' Federation—AITUC
(d) Madras Branch	(1) Petroleum Employees' Union, Madras	National Federation of Petroleum Workers—INTUC
	(2) Madras Kerosene Oil Workers' Union, Madras	—do—
	(3) National Union of Petroleum Workers	—do—
6. Indo—Burmah Petroleum Company		
(a) Bombay Branch	(1) Petroleum Workmen's Union	All India Petroleum Workers' Federation—AITUC
	(2) Petroleum Employees' Union	National Federation of Petroleum Workers—INTUC
(b) Calcutta Branch	IBP and Steel Brothers' Employees' Union	All India Petroleum Workers' Federation—AITUC
(c) Delhi Branch	Petroleum Workers' Union	—do—
	Indian-Oil (Pipelines Division)	
(a) Gauhati-Siliguri Products Pipeline	Refinery Workers' Union Gauhati	National Federation of Petroleum Workers' INTUC
(b) Koyali-Ahmedabad Products Pipeline	Gujarat Refinery Kamdar Sangh, Baroda	—do—
(c) Haldia-Barauni-Kanpur Products Pipeline	Indian Oil Corporation (Pipelines Dvn.) Employees' Union, Barauni	—do—
(d) Pipelines Division Headquarters, New Delhi	Indian-Oil Delhi Employees' Association (Pipelines)	—do—

Recently, the management staff/supervisory staff in some of the units in the oil industry have formed associations and registered them as Trade Unions under the Trade Unions Act, although the question of any or all of their members being covered under the Industrial Disputes Act is a debatable one. These Associations are listed below :

Marketing : Bombay : Burmah-Shell Management Staff Association;  
 Madras : Burmah-Shell Management Staff Association.  
 Refineries : Bombay : Esso Refinery Management Staff Association.

The employers in the oil industry, whether in the public sector or in the private sector, have not formed their own Association. However, employers in the private sector are members of the Employers' Federation of India. The public sector employers are not members of any federation of employers.

In common with other industries, the oil industry too—both in the public sector and private sector—is faced with the problem of multiplicity of trade unions. However, as most of the workers in the oil industry are educated and enlightened the effects of multiplicity of trade unions on industrial relations have fortunately not been as adverse as in other industries, where the

workers are not so educated and enlightened.

The Code of Discipline in industry and matters pertaining to it are the subject matters of a study by another group. Therefore, apart from emphasizing their importance, this Study Group would like to offer no other comments.

### Industrial Relations

In the context of plans for the further development of industries in India and of the State being the largest industrial employer, it is necessary to have a close look at our labour policy lest it should hamper the growth of healthy industrial relations. Of late, in the oil industry there have been certain unhealthy incidents, such as wrongful confinements of managerial staff, stay-in strikes, etc. The chief factors in the growth of this unfortunate phase in industrial relations are :

- (i) Rising expectations of people for a better life;
- (ii) Soaring prices;
- (iii) Role of politicians in gaining control of Unions;
- (iv) Greater consciousness of their rights on the part of labour; and
- (v) Delays in legal proceedings.

The remedies for the first three factors have to be taken at the economic and political level. As regards the fourth and fifth factors, both the Union and the Management can do something. While the Managements have to treat workers with consideration, the Unions should educate them not only about their rights but also about their obligations.

The Study Group felt that the development of industrial relations in the oil industry has reached a stage where collective bargaining ought to be encouraged and in this context the manner in which the references to adjudication are made needs to be reviewed with a view to strengthening this approach.

Supply and distribution of petroleum products is a public utility, as included in the 1st schedule of the Industrial Disputes Act, in the States of Assam, Gujarat, Madhya Pradesh and Maharashtra. Petroleum refining is a public utility service, as included in the 1st schedule of the Industrial Disputes Act, in the States of Maharashtra and Gujarat.

Where a strike in the oil industry or any section of it exists and no solution of the industrial disputes through bipartite negotiations or conciliation appears likely, the 'appropriate Government' should have the power to enforce a cooling off period between the parties. During this period, strikes, including go-slow and lock-outs, should be prohibited. The time thus made available to the parties can be utilized by them for reaching accord through further bipartite negotiations and reference to adjudication should be ordered by the Government if there is no agreement even after

the cooling-off period.

Annexure IV gives the year-wise break up of industrial disputes in various establishments of oil industry and the manner in which they were settled. Collective bargaining is likely to make further progress in the oil industry where the Unions are well-established and well-organized. After some adjudications in the early years, collective bargaining and bipartite long-term settlements have been the feature of industrial relations in the private sector oil marketing companies in the last 15 years. The latest settlement signed in the Bombay Branch and the Ernakulam Establishment of the Burmah-Shell Marketing in 1967, incorporate the parties' agreement on rationalization/re-organization and job security.

In the Marketing Division of Indian Oil Corporation Ltd., between 1966 and 1967, all the disputes except one relating to bonus for 1965 have been settled either by bipartite settlement or a settlement reached in conciliation proceedings. The most important settlement reached with the workmen was regarding the Charter of Demands presented by the Unions on general terms of employment. The settlement was reached between the Management of the Marketing Division and the Unions on 29th July 1966. In the Refineries and Pipelines Divisions of IOC also, the settlement was reached with the Unions in May/June 1967, on the demands presented by the Unions on the general terms of employment. In all the three Divisions of Indian Oil Corporation Ltd., the issue regarding bonus for the year 1966-67 was settled by collective bargaining. In the Refineries and Pipelines Divisions, some of the disputes were referred to adjudication and arbitration.

In the private sector refineries, during the period 1955 to 1967, both adjudication and collective bargaining have been used for resolving disputes. In Burmah-Shell and Esso Refineries, long-term settlements were arrived at between the Managements and the Workmen between August 1957 and September 1967. Both the settlements following adjudication of the disputes.

The history of 15 years of collective bargaining in the oil industry has its special features. Agreements are of the nature of package deal, i.e., on wages, dearness allowance, bonus, various fringe and retirement benefits etc., for a period covering the range of two to four years at each time. In the private sector oil companies, these agreements have taken place at regional/local levels. However, in the case of Indian Oil Corporation Ltd., a beginning has been made by entering into collective bargaining at national level through negotiations simultaneously held with different units recognized in different regions.

The growth of this trend towards settlement of disputes through collective bargaining in the oil industry

is to be welcomed. With the growing strength of the Unions in the industry, the trend is likely to be accentuated in the coming years. Collective bargaining as a method of settling disputes can be successful where the Unions are well-organized and strong and where the Management and the Unions are both willing to settle the disputes through negotiations rather than through adjudication. The growing disenchantment of workers with adjudication on account of inordinate delay that it involves, and the uncertainty of the outcome is likely to further the cause of collective bargaining in the major industries, including the oil industry.

The Works Committees in the oil industry, generally speaking, have been found to be useful, though not outstandingly successful. For Works Committees to function more effectively, whether in the oil industry or any other, two factors are of basic importance :

(a) The subjects they can deal with, as distinct from those within the Union-Management sphere of negotiations, should be clearly specified under the Industrial Disputes Act (which has created the Works Committees) as recommended by the Special Sub-Committee appointed the Standing Labour Committee to deal with the subjects of Works Committees.

(b) Both the parties must approach the Works Committees' discussions with sincerity and seriousness. The only lasting way to make Works Committees a success is to improve climate of industrial relations.

As far as the Joint Management Councils are concerned, they do not exist in the oil industry.

**Conciliation :** Within the experience of the Study Group, the conciliation machinery of the Government has not measured up to the requirements of its delicate task. Generally, its approach is legalistic and formal. It merely brings the parties together, hears their points of view and makes a report to the Government, a process of going through the motions before a reference is made to adjudication.

Too much volume of work and lack of adequate training are other factors which have reduced the effectiveness of the conciliation machinery. Re-allocation of work and adequate training appear to be the obvious remedy.

**Adjudication :** As the growing trend in the oil industry seems to be towards collective bargaining, adjudication is likely to become more and more unimportant in the near future. Nevertheless, we would not recommend the abolition of adjudication. Where there is no agreement between the parties despite collective bargaining and conciliation, adjudication is the only way left to settle the dispute and to avoid strikes which may inflict hardship on the workers and economic loss on the industry and the community at large. A lightning strike in the oil industry or any section of it

cannot but produce grave results. Apart from causing loss of wages to the workers, loss of production for the industry and the country, it may make the wheels of other industries and transport grind to a halt.

The Code of Discipline has obvious weaknesses, but has, nevertheless, served a useful purpose by containing a set of moral principles, which serve as a frame of reference against which the conduct of employers and unions can be adjudged. Its sanctions are not legal but moral.

**Voluntary Arbitration :** Arbitration, to be really effective, should be voluntary on the part of both the parties, i.e. both the parties should of their own accord agree to it as a method of settling disputes. It is conducive to good relations inasmuch as it does not lead to bitterness on either side. While generally the scope of voluntary arbitration can be mutually agreed upon by the parties concerned, it seems to be a good way of settling disputes involving individual workmen of a small group of workmen.

### Wages

The wage/salary scale and the scale-wise classification of jobs prevailing in the refining and distribution organizations of the oil industry are given in Annexure V. The perusal of the annexure shows that the wages and the job classifications differ from organization to organization. The method of calculating dearness allowance also varies considerably.

As regards the method of wage fixation, originally the pay scales for different posts were laid down by the Companies, whether in the public sector or in the private sector, according to their own regulations and assessment of the relative worth of the different posts. The changes in these pay scales have been brought about mostly as a result of long-term settlements reached between Managements and the Unions. Collective bargaining can be expected to play a major rôle in the near future also in bringing about further changes in wages and other service conditions.

In refineries, whether in the private sector or in the public sector, the fringe benefits include provision of housing, co-operative societies, subsidized canteen facilities, free supply of uniforms, leave travel concession, sick leave with pay, medical aid, festival holidays with pay, provident fund and gratuity. In the Esso Standard Refinery, an employee on normal retirement gets only pension. It is only on resignation that he becomes eligible for gratuity. In the Refineries of the Indian Oil Corporation Ltd, the workers get in addition the benefit of water and electricity at very nominal rates, fully equipped hospital in the townships and concessional transport.

On the marketing side both in the private sector and



public sector, the main fringe benefits are provident fund and gratuity. In Esso Standard Eastern Inc. (Marketing), an employee on retirement from service qualifies only for pension. It is only on his resignation that he can get gratuity. Canteen facilities are provided in the Marketing Organizations both in the public sector and private sector, wherever they are statutorily compulsory. Leave travel concession is also provided in some of the units. IOC (Marketing Division) have a project of building 250 houses for employees at Bombay.

#### Incentive Scheme And Productivity

In a highly automated industry like petroleum refining, by far the greatest contribution towards increased productivity comes from improved technology. The contribution of an individual employee can only play a marginal role in increasing production and productivity. Automation performs functions which cannot be performed by mere human application. In oil refining which is based primarily on advanced engineering and sophisticated instrumentation, there is very little scope for the application of incentive schemes. A well conceived and carefully executed suggestion scheme can act as an incentive.

The nature of work in the oil marketing is such that it does not lend itself to the introduction of incentive schemes.

The foregoing remarks do not, however, mean that the Managements in the oil industry do not set any store by the contribution that individual employees can make towards increased productivity. In the settlements reached by Burmah-Shell Refineries Ltd., on 19th August, 1967, with their workmen and in the settlements reached by Esso Standard Refining Company India Ltd., with their workmen 30th September, 1967, both parties to the settlements have re-affirmed their faith and belief in striving for maximum productivity and promoting all possible economy in refinery.

#### Social Security

An ideal social security scheme should protect an individual from the cradle to the grave. Such a comprehensive social security scheme cannot be feasible for a poor undeveloped country like India. The traditional view is that social security is entirely the responsibility of the State. In actual practice, however, certain benefits have been given by some of the units in the oil industry to their workmen. The main risks which social security measures prevailing in the oil industry seek to cover are the following :

(1) Loss of earning power as a result of illness or industrial accident,

(2) Loss of earning power in old age.

Annexure III gives the sick leave entitlement of employees in the Marketing and Refining Organizations of the oil industry. The Workmen's Compensation Act, 1923, provides for the payment of compensation to workmen, who meet with accidents arising out of and in the course of their duties. The Act provides lump-sum payment of compensation in the event of death and permanent disability. It also provides for fortnightly compensation payable in the case of temporary disability. The Employees' Provident Fund Act, 1952 provides for contributory provident fund payable to workmen on their retirement from service. In the oil industry, wherever the Employees' State Insurance Act has been enforced, it replaces the Workmen's Compensation Act.

The Employees' State Insurance Act covers all employees whose total earnings do not exceed Rs. 400 per month. It provides for medical benefits, sickness benefits, disablement benefits, dependant's benefits and maternity benefits. The medical benefits provide, in case of an accident or illness, for free medicines, drugs, dressings, hospitalisation, visits from the doctor and specialist's advice and treatment. The sickness benefits provide for sickness cash benefit at the rate of about half of an employee's daily earnings for a period of 56 days in any continuous period of 365 days. There is, however, a waiting period of 2 days and cash benefits are payable only if the sickness period exceeds 2 days. The disablement benefits are as follows :

In case of temporary disablement for a period exceeding 7 days, the benefit is a little over half an employee's daily earnings for as long as disability lasts. In case of permanent partial disablement, the percentage of loss of earning capacity is assessed by the Medical Board under the Employees' State Insurance Scheme. Periodical payments on the basis of assessment are made to an employee throughout his life.

If the Medical Board is of the opinion that an employee is disabled totally of permanently, he is entitled to get a little over half of his average wages as pension throughout his life.

**Dependant's Benefits :** If an employment injury proves fatal, a pension roughly equal to half of the daily wages of an employee will be paid periodically to his widow for life or until she re-marries, and her children or other dependants until they reach a specified age.

**Maternity Leave :** A female employee, in addition to ante-natal and post-natal care, is entitled to a maternity benefit at the rate of 75 paise a day or at the rate of sickness benefit, whichever is greater, for a period of 12 weeks, of which not more than six weeks shall precede the expected date of confinement.

The Employees' State Insurance Act has not yet been applied to the Digboi Oil Refinery in Assam and the refineries of Indian Oil Corporation at Gauhati, Barauni and Jawaharnagar, situated respectively in the States of Assam, Bihar and Gujarat. The refineries in the private sector, viz., Esso Refinery and Burmah-Shell Refinery at Bombay, and Caltex Refinery at Vishakapatnam have been covered by the Employees' State Insurance Act. The benefits provided under the Employees' State Insurance Act, no doubt, cover an important segment of an industrial worker's social security, but the workers in general are not satisfied with the working of the Employees' State Insurance Act. From the workers' angle, what seems to be wrong with the working of the Act is not only that the quality of the service rendered is poor and subject to the usual administrative red-tape, but also that with the introduction of the scheme workers have to pay for benefits which in many cases they were getting free of cost from the employers.

The general impression of the employers is that the Employees' State Insurance Scheme has increased absenteeism due to alleged sickness. The increase in such absenteeism is due to the ease with which medical certificates can be wangled by employees from the doctors appointed under the State Insurance Scheme. It is suggested that industrial establishments which are desirous of giving free medical facilities with which workers are satisfied should be exempted from the application of the Employees' State Insurance Act. As long as the scheme is enforced, the companies' doctors should assist the panel doctors in case of prolonged or frequent sickness so that they can work together as a team in minimizing absenteeism due to sickness.

Sick leave with full pay, for periods sanctioned as per rules, is already granted to employees both in the Marketing and Refining Organizations of the oil industry. Besides, ex-gratia financial assistance is given towards the cost of medical treatment incurred by employees in the case of Burmah-Shell (Marketing and Refining), Esso, Caltex and I.B.P. (Marketing). When the employees are covered by the Employees' State Insurance Act, the Esso Refinery pays them the difference between the daily earnings and such compensation as is received from the Employees' State Insurance Corporation and the period of sickness is debited to his sick leave account. In the Indian Oil Corporation Limited not only an employee but also his dependents, who come within the definition of 'family' as defined in the Central Services (Medical Attendance) Rules, get the benefit of medical treatment. Reimbursement of medical expenses to an employee is governed by the Central Services (Medical Attendance)

Rules.

In the Marketing Organizations and Refineries of Burmah-Shell, Esso and Caltex as well as I.B.P. (Marketing), the compensation paid to a worker for disability resulting from an industrial accident is more generous than what is provided under the law. Not only does the Management supplement such medical treatment as is prescribed under the Employees' State Insurance Scheme, but it also gives the employee his basic pay and cost of living allowance for such period as is approved by the Management. The benefit paid by the Company is, however, reduced by the benefit an employee receives under the Employees' State Insurance Scheme, if he is covered by it.

The Marketing and Refining Organizations in the oil industry are covered by the Employees' Provident Fund Schemes, the rate of contribution being 8 per cent. These schemes are either those which are framed under the Employees' Provident Fund Act, 1952, or those which are recognised under the Employees' Provident Fund Act, 1952. When the Employees' Provident Fund Act, 1952, came into force, the units in the oil industry had their own provident fund schemes. The employees covered by the Employees' Provident Fund Act, 1952 were given the option to elect either for the Company's Provident Fund scheme or for the scheme provided under the Employees' Provident Fund Act, 1952.

The age of retirement in oil industry varies from 55 to 60.

Apart from medical care, compensation for accidents, sickness benefits, maternity benefits and provident fund, workers in the oil industry also get the benefit of gratuity. Gratuity rules prevailing in some of the units of the oil industry are given in Annexure VI. In Esso Refineries and Marketing, an employee on normal retirement gets only his pension. He is eligible for gratuity when he resigns from Company's service.

Security of employment is vital to an industrial employee, particularly in a country like India where unemployment is widespread. Here it is necessary to distinguish an employee who is appointed to a job which by its nature is very temporary, such as in a construction project, and an employee who is appointed to a post in a permanent set-up of an undertaking. Those who are appointed to temporary posts cannot claim permanency of employment. Unions operating in the Refineries Division of Indian Oil Corporation Limited, have, however, opposed retrenchment of workers who have become surplus on completion of the construction projects on the ground that they should either be absorbed in the permanent set-up or employment should be found for them elsewhere. The

other view is that they should be retrenched. The personnel required for the operation of a refinery are different in number and kind from those required for the construction of a project.

As to an employee appointed to a post in the permanent set-up, if he is a workman, he is as much protected in the private sector as he is in the public sector. The question of job security in the private oil companies has been agitating the unions and the whole question is under examination by the Gokhale Commission, which was set up by the Government of India's Notification of 4th July, 1967. Its terms of reference, as amended to date, are as follows :

(1) The number of surplus workmen (including officers), if any, on the rolls of Burmah-Shell Oil Storage and Distributing Company of India Ltd., Burmah-Shell Refineries Ltd., Bombay, Esso Standard Eastern Ltd., Esso Standard Refining Company of India Ltd., Bombay, Caltex (India) Ltd., and Caltex Oil Refining (India) Ltd., Vishakhapatnam, as on the 1st January 1960, and on the same date in subsequent years.

(2) The reasons and justification for the said workmen becoming or being rendered surplus and in particular, the extent to which they became surplus as a result of—

(a) The introduction and extension of contract or agency system in the said companies;

(b) The recruitment of casual labour by the said companies;

(c) The change-over to bulk filling of oil products and the discontinuance of distribution of kerosene and other products in tins and barrels and closing down of the tin plants by the said companies;

(d) The rationalisation and re-organization of business and working method of the said companies;

(e) The introduction of automatic devices including accounting machines and computers by the said companies;

(f) Other measures.

(3) The methods, plans and schemes (including early voluntary retirement schemes and voluntary separation schemes, if any) adopted by the said companies to deal with the surplus workmen.

(4) The manner in which the said methods, plans and schemes were formulated and implemented.

(5) The extent to which the said methods, plans and schemes and their implementation were just, proper and in accordance with law.

(6) If any of the methods, plans and schemes adopted to determine and deal with the surplus workmen or the implementation thereof was not just, proper or in accordance with law, the action, which, in the opinion of the Commission, should be taken by the Government to

ensure security of jobs and other relief to the workers concerned.

It is not considered appropriate to venture any views on the subject, when it is being examined by a Commission.

### Industrial Legislation

The Labour Acts applicable to petroleum refineries are the same as are applicable to other factories. On the distribution side, installations where ten or more persons are employed are covered by the definition of 'factory' and those employing less than ten persons by the Shops and Establishments Acts of the Governments of the States where they are situated. The office staff, both in the refineries and on the distribution side of Indian Oil Corporation Ltd., are covered by the Shops and Establishments Acts of the respective State Governments.

The provisions of these Acts vary to some extent and cause confusion to those who are required to deal with these Acts as implemented by the various States. Some sort of uniformity in the provisions of these Acts is urgently required. As to petroleum refineries, it has been our experience that the limitations on the daily hours of work, over-time work and the grant of weekly off are not practicable. We would recommend that these limitations should be removed. The union representatives added that this may not be done without agreement with the unions.

The difficulty encountered in the implementation of Industrial Disputes Act is that the undertakings owned by the multi-unit Corporations of the Government of India and situated in different States come under the jurisdiction of the respective State Governments. It is suggested that such Corporations should be under the Central Government under the Industrial Disputes Act. The union representatives were of the opinion that the same suggestion should equally hold good in the case of private companies as well. A question often posed is that whether the public sector undertakings should not be treated differently from the private sector in the matter of application of labour legislation. The Study Group do not see any grounds for any differentiation between the public sector and private sector in the matter of application of labour laws. The Study Group recommends that the term "workman" should be defined in the same way in all the Labour Acts applicable to industry.

### Labour Research And Information

For labour research, the oil industry will have to depend on universities and other institutions specializing in such work. There are no labour problems which can be said to be peculiar to the oil industry and which

can be recommended for research.

In common with other industries, the oil industry too has to spend a good deal of its time in submitting information of various kinds to governmental agencies. All the numerous existing returns and registers which require to be maintained under the different Acts should be carefully examined by the Labour Department with a view to simplifying them and eliminating such of

(For the Annexures, see the original report)

them and as really do not serve any useful purpose. A single agency to which information can be submitted should be named; and should the Government require any information, references can be made to that Agency instead of the industry every time when the information is needed. This will save a lot of time and wasted effort.

## LAND ACQUISITION REVIEW COMMITTEE ON LAND ACQUISITION ACT, 1894, 1967—REPORT

Delhi, Manager of Publications, 1971. x 324p.

Chairman : Shri Anand Narain Mulla.

Members : Prof. N.G. Ranga; Shri D.S. Desai; Shri Kanwar Lal Gupta; Shri Randhir Singh; Dr. Mahadev Prasad; Shri A.D. Mani; Shri A. Sreedharan; Shri V. Krishnamurthy; Shri A.P. Chatterjee; Shri C.K. Chakrapani; Shri Jaipal Singh; Shri Liladhar Kotoki; Shri Sheelbhadra Yajee; Shri Onkarlal Bohra; Shri Narendra Singh Mahida; Shri B. Shankaranand; Ch. Brahm Prakash; Shrimati Sharda Mukherjee; Dr. Z.A. Ahmed; Shri Triloki Singh; Shri Vijaykumar Trivedi; Shri M.B. Raja Rao; Shri Udit Narain Sharma; Shri K. Sivasubramaniam; Shri K. Sen; Shri P.K. Nambiar; Dr. Anup Singh.

Secretary : Shri D.B. Kulkarni..

### APPOINTMENT

During the consideration of the Land Acquisition (Amendment and Validation) Act, 1967, the Government gave an assurance on the floor of both the Houses of Parliament that a Committee consisting of Members of Parliament and nominees of the State Governments would be appointed to examine the entire framework of the Land Acquisition Act, 1894 and its administration and to suggest improvements in its working. In pursuance thereof, the Committee was appointed by virtue of the Resolution No. 6-6/67-Gen. II, dated July 27,

1967, of the Government of India in the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Agriculture).

### TERMS OF REFERENCE

To examine the scheme of acquisition of land for public purpose and companies in the public and private sectors under the Land Acquisition Act, 1894, with particular reference to :

- (i) Principles which should govern acquisition of land for a public purpose;
- (ii) Principles for determining compensation;
- (iii) Reasons for administrative delays and remedial measures;
- (iv) Extent of Government responsibility for rehabilitation of evicted families and recommendations about discharge of this responsibility; and
- (v) Feasibility of enacting a uniform central law on 'land acquisition' which may be applicable to the whole country although 'land acquisition' is in the Concurrent List.

### CONTENTS

Constitution of the Committee, its Terms of Reference and the Scheme of the Report etc; Principles Which Should Govern Acquisition of Land for a Public Purpose; Principles which should Govern Acquisition of Land for Companies in the Public and Private Sectors under the Land Acquisition Act, 1894; Constitutional Requirements for Compulsory Acquisition and Our

Approach; Principles for Determining Compensation; Forum and Procedure for Determining Compensation; Procedural Delays and Remedies Thereof; Scope of Special Powers for Acquisition of Land in Cases of Urgency Emergency; Extent of Government Responsibility for Rehabilitation of Evicted Families and Recommendations About Discharge of this Responsibility; Betterment Levy; Feasibility of Enacting a Uniform Law on Land Acquisition; Recommendations on Other Matters for Improvement in the Land Acquisition Act; Minutes of Dissent; A Summary of the Main Conclusions and Recommendations of the Committee; Annexures 1 to 10; Appendices 1 to 14.

## RECOMMENDATIONS

### Principles Which Should Govern Acquisition Of Land For A 'Public Purpose'

**Definition of 'Public Purpose' :** It is not possible to lay down any hard and fast definition of 'public purpose' which would meet the needs of the present and the future in a rapidly changing world.

**What should not Constitute a 'Public Purpose' :** Unless compelling circumstances (to be stated in writing) exist which render it necessary so to do, no proceedings for acquisition should be taken in respect of any land or building which has been acquired by the appropriate Government for a public purpose and which has been or is being put to use for the said purpose. Though it is not desirable to ban proceedings for acquisition in respect of any land or building which is already being used by a person or body of persons for a housing scheme or industry and the public purpose for which it is being acquired is the same, same way should be found out by Government to protect the interest of the genuine land owners or cooperative societies who are using or intending to use the land for a housing scheme or industry consistent with the proposed planned development.

**Justiciability of 'Public Purpose' :** 'Public purposes' should be made justiciable by amending the provisions of Section 6 of the Act suitably. Such a provision would, in our opinion, go a long way in removing the apprehension of the public as regards the possible abuse of power in the name of public purpose.

**Reverter of Land in Case of Non-use for the Purpose for which it was Acquired :** Government may, within reasonable time, use the superfluous land for any other public purpose though acquired for a different public purpose, if it does not violate the directive contained in clause (a) of para 2.25. However, if the land acquired, or any portion thereof, is not used for the purpose for which it was acquired or for any other declared public purpose, within reasonable time, Government must offer

the land to the original owner/perpetual lessee/tenant of agricultural land who has acquired occupancy rights, or their heirs, as the case may be, (unless he or they are not found after diligent enquiry) on repayment of the amount of reasonable compensation or a proportionate portion thereof. It should also be made open to the owner etc., or his heirs to claim back the said land on the above terms from Government, and if the Government fails to act in this matter, an action for reconveyance and possession of the superfluous land would lie in the Court.

Provisions on the above lines would operate as a check against excessive acquisition of land by the State.

### Principles Which Should Govern Acquisition Of Land For Companies In The Public And Private Sectors

**Retention of Section 40 (1) (aa) and Section 41 (4A) :** It would not be wise to impose a total ban on acquisition of land for Companies which are engaged or taking steps for engaging themselves in any industry or work which is for a public purpose. There is not enough justification for recommending the repeal of clause (aa) of Section (40) (1) and clause (4A) of Section 41 of the Act.

**Compliance with the Special procedure Prescribed by Part VII :** Subject to the changes hereinafter suggested, the provisions of Part VII of the Act and the Land Acquisition (Companies) Rules, 1963, should be complied with in all cases of acquisition of land for a company other than a Government Company/Corporation/Body Corporate. In other Words, Government Companies/Corporations/Bodies Corporate should alone be entitled to invoke the provisions of Part II when the acquisition is also for a public purpose.

**Contribution By The State In Case Of Acquisition For A Company For a Public Purpose :** Payment of contribution from the public funds should not be made obligatory for invoking the provisions of Part II in the case of Government Companies/Corporations/Bodies Corporate.

### Other Recommendations

**(A) Reverter of Land :** (a) Action should be initiated by Government as a matter of course for declaring the transfer of land or a portion thereof to the company as null and void in every case where the land is not utilised within the specified or extended time for the purpose for which it was acquired ;

(b) Where transfer of the land, or a part thereof to the company is declared by the Government as null and void on account of the non-utilisation of the land or a portion thereof, by the company within the time prescribed by the law and the land reverts back to the

appropriate Government, Government should, within specified time not exceeding one year from the date of the reversion of the land, offer reconveyance of that land or part thereof, as the case may be, to the original owner or the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights, or their heirs as the case may be, provided the owner, the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights, or their heirs, as the case may be, can be found on diligent enquiry.

(c) The original owner, the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights, or their heirs, as the case may be, will have to refund the compensation received or a proportionate portion thereof before the reconveyance is sought.

(d) If the original owner, the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights or their heirs, as the case may be, do not seek reconveyance on the above terms within six months from the date of the offer by the Government, the land would revert in the Government absolutely free from all claims of the original owner, the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights or their heirs, as the case may be, and Government, would be free to use that land for any other purpose or dispose of the same in any manner as it likes.

(e) The owner, the perpetual lessee, or the tenant of agricultural land who has acquired occupancy rights, or their heirs, as the case may be, would be entitled to move the Government for return of the land or portion thereof which is not utilised within the prescribed time by the Company for the purpose for which it was acquired.

(f) On such a motion, the Government should take action to declare the transfer of such land to the Company as null and void and revert it in the claimant.

(g) It would be open to the parties to move the court for the appropriate relief in case the Government fails to take the requisite action on his motion as aforesaid.

**(B) Composition of the Land Acquisition Committee :** In order to make the voice of the representatives of the people more effective in the matter of acquisition of land for companies, the members to be nominated by the appropriate Government under Clause (ii) of Rule 3 (2) of the Land Acquisition (Companies) Rules, 1963 should include, at least 5 M.L.As. fairly representative, as far as possible, of various sections in the Assembly. In the case of acquisition for the Union/Union Territories the Members of Parliament fairly representative, as far as possible, of various sections in Parliament should be appointed under this clause.

**(C) Incorporation of Rules in the Act :** The provisions of the Land Acquisition (Companies) Rules, 1963, should be incorporated in the Land Acquisition Act itself.

**(D) Amendment of Section 39 :** Section 39 should be retained with the modification that where land is to be acquired for any company, no notification under Section 4 (1) should be issued except by or with the previous consent of the appropriate Government.

#### **Constitutional Requirements For Compulsory Acquisition And Our Approach**

The recommendations will have to be so framed as to satisfy the mandatory requirements of the constitution for compulsory acquisition of land. This is how an examination of the constitutional background becomes relevant.

**Right to Property under the Constitution :** The Right to property is one of the Fundamental Rights guaranteed by the Constitution. Under Article 19 (1) (f), all citizens have the right to acquire, hold and dispose of property. Article 31 further protects the right to property by defining limitations on the power of the state to take away property without the consent of the owner. As soon as the interest of the community so requires, the State can, under Article 31, deprive the owner (citizen or non-citizen) of his property by authority of law subject to payment of compensation if the deprivation is by way of acquisition or requisition of the property by the State.

The obligation to pay compensation for acquisition of property has thus been raised to the status of a Fundamental Right and can be enforced in the highest court of the land.

**Meaning of Acquisition Under Article 31 :** Under the constitution, the term "acquisition" is used in a limited sense. It refers to a transfer of ownership of property to the State or to a corporation owned or controlled by the State. Clause (2) of Article 31 is not attracted where there is mere deprivation of property short of acquisition. Hence, there is no obligation to pay compensation where a private owner is deprived of property by reason of the exercise of 'police' or regulatory powers of the State.

**Distinction between Acquisition Under Art. 31 (2) and Acquisition Under Art. 31-A :** The Constitution makes a distinction in regard to the limitations for acquisition of Jagirs, Inams and other land tenures, described as estates, and other kinds of property. Under Article 31 (2), the State is prohibited from making law for acquiring land and other property unless it is for a public purpose and unless it fixes the amount of compensation or specifies the principles for determining the same. However, Article 31-A (1) (a) lifts the ban to

enable the State to implement the pressing agrarian reforms. Acquisition of 'estates' cannot be challenged on the grounds of absence of public purpose or for want of compensation or adequate compensation or on the ground of imposition or unreasonable restrictions on the right to hold and dispose of property.

**Constitutional Requirements for Acquisition :** Legislation implementing the recommendations in relation to acquisition of land other than "estates" will, however, have to satisfy the requirements of Article 31 (2) as well as Article 14 of the Constitution.

**Meaning of Compensation and its Justiciability before and after the Fourth Amendment :** The American and the Australian Constitutions ensure payment of just compensation for taking of the property. The expression "compensation" is not defined in the Constitution. After the Constitution (Fourth Amendment) Act, 1955, it carries a meaning different from the one given to it in Mrs. Bela Banerjee's case. Mrs. Bela Banerjee's case laid down the following principles :

(1) The expression "compensation" in Art. 31 (2) of the Constitution as originally enacted meant just equivalent of what the owner has been deprived ;

(2) The principles laid down by the legislature shall be only for the determination of the compensation so defined ;

(3) Whether the principles have taken into account the relevant elements to ascertain the true value of the property acquired is a justiciable issue to be adjudicated by the Court ;

(4) The fixation of an anterior date for the ascertainment of the value of the property acquired without references to any relevant circumstances which necessitated the fixing of an earlier date for the purpose of ascertaining the real value is arbitrary.

After the Constitution (Fourth) Amendment Act, 1955, compensation fixed or determined on principles specified by the legislature cannot be permitted to be challenged on the somewhat indefinite plea that it is not just or fair equivalent 'Compensation' means what the legislature justly regards as proper and fair recompense for compulsory expropriation of property and not something which by abuse of legislative power though called compensation is not a recompense at all or is something illusory.

The Fourth Amendment of the Constitution was expressly made to get over the effect of the earlier cases which had defined compensation as just equivalent. It is certainly out of the question that the adequacy of compensation (apart from compensation which is illusory or proceeds upon principles irrelevant to its determination) should be questioned after the amendment of the Constitution.

Article 19 (1) (f) of the Constitution guarantees to

the citizens the fundamental right to acquire, hold, and dispose of property subject to reasonable restrictions that may be imposed under Article 19 (5) in the interest of the general public or for the protection of the interest of any Scheduled Tribe-Both Articles 31 (2) and 19 (1) (f) relate to property.

In the latest case of R.C. Cooper and Another vs. Union of India, the Supreme Court has now held that the validity of 'law' which authorises deprivation of property under Art. 31 (1) and 'a law' which authorises compulsory acquisition of property for a public purpose under Art. 31 (2) must be adjudged by the application of the same tests. According to the Court, a citizen may claim in an appropriate case that the law authorising compulsory acquisition of property imposes fetters upon his right to hold property which are not reasonable restrictions in the interests of the general public.

The Law of Compulsory Acquisition of land will thus have to satisfy the requirement of Articles 31 (2), 14 and 19 as interpreted by the Supreme Court.

**Acquisition for Land Reforms and Acquisition for other Purposes :** Difference between the Constitution (17th Amendment) Act, 1963, has further enlarged the scope of acquisition or requisition without payment of adequate compensation and also without any danger of its being challenged under Articles 14, 19, and 31 of the Constitution. There is no kind of agricultural estate or land which cannot be acquired by the State even though it pays an illusory compensation. The only exception is the second proviso added to Article 31-A (1) by which lands within the ceiling limit, applicable for the time being to a person personally cultivating his land, may be acquired only on paying compensation at a rate which shall not be less than the market value. This may prove to be an illusory protection because the ceiling may be lower by legislation and the State may leave the person an owner in name and acquire all his other rights.

The exclusion effected by Article 31, Clauses (4) and (6) and by Arts. 31-A and 31-B would deprive a person of his Fundamental Rights conferred on him by Art. 31 (2) and Arts. 14 and 19. The obligation to pay any compensation or adequate compensation does not thus arise in the case of land covered by legislation falling within the scope of the exceptions made under these provisions. This fact has to be borne in mind while making any recommendations with regard to the quantum of compensation respecting immovable property left out of the purview of these provisions.

**Principles Governing the Approach of the Committee :** As far as possible, everyone who is deprived of his property by compulsory acquisition should be enabled by the compensation awarded to him to place himself in substantially the same position in which he

was before the acquisition. The community which benefits from the acquisition must also bear the burden of justly compensating the owner.

The object of the Constitution (Fourth Amendment) Act, 1955 was to make the Parliament or the State Legislature the sole judge on the question of compensation. A heavy responsibility is thus cast on the legislature to do the right thing and take a just and reasonable view particularly having regard to the apprehensions expressed in both the Houses of Parliament that the power conferred by Articles 31 (2) as amended may be misused.

It is, therefore, necessary to protect the interests of the individual by providing for fair compensation in case of all kinds of acquisition.

It is legally not possible to look at the question from the point of view of the State alone and completely ignore the injury caused to the citizen. There can be no understandable reason for holding that if an individual loses his land under a small scheme he should get a just compensation but if that land is acquired under a big project, he may be deprived of his land on payment of inadequate compensation simply because the State has not the funds to make a just payment. If the State wants to resolve this conflict of interests in its own favour, then it is necessary that the relevant Articles relating to Fundamental Rights in the Constitution should be suitably amended and not that the constitution should be bypassed. Equitable compensation must be equitable both to the individual and to the community. The need for protecting the State against the payment of compensation based on speculative rise in prices in the case of large-scale projects is appreciated. While framing the recommendations on the quantum of compensation, both these aspects have been kept in view.

The Committee has tried to strike a balance between the conflicting claims of the individuals and the community.

Most of the States have enacted legislation abolishing the intermediaries, regulating tenancies and fixing ceilings on the land holdings. Over two million acres of land have so far been declared surplus by the ceiling imposed, and about half of the area has already been distributed.

A reasonable classification can be made between land which is declared surplus by a properly enacted law and other land for the purpose of determining compensation specially when the acquisition is to advance a landable directive contained in the Constitution itself. The same approach cannot and should not be made in acquiring other lands which cannot be declared surplus under any law. The need for protecting the interests of the individuals as against that of the State is much

greater in the case of such acquisitions, and there appears to be no understandable reason why the rule of 'just equivalent' should not apply.

The Committee is fully aware of the imperative need for minimising the concentration of wealth in a few hands and the necessity of removing the social disparities for achieving the objectives of a welfare State envisaged by the Constitution. But this does not mean that when the State acquires property for its needs, it should not give a fair deal to the holders whom it forcibly dispossesses. There are other measures which can always be adopted by the State for removal of social inequalities.

So long as the Right to Property is recognised as a Fundamental Right, though in a more restricted form after the constitution (Fourth Amendment) Act, 1955, the Committee would not be justified in recommending a law providing for inadequate compensation. In fact, the need for protecting the individual as against the State is all the greater because of the power of the State to adopt various devices which would altogether nullify, in effect, the provision about the payment of fair compensation to the owner deprived of his property as a result of compulsory acquisition.

**Need for self Imposed Restrictions on the Power of Acquisition :** According to the view now taken by the Supreme Court in the latest case of R.C. Cooper and another v. Union of India, the law authorising compulsory acquisition of property will have to satisfy the test of reasonable restriction as laid down in Art. 19 (5) of the Constitution. While formulating its recommendations the Committee had suggested certain restrictions in the matter of acquisition of land by the State. Although all these restrictions are not called for, for satisfysing the requirements of the law viz., Art. 19 (5), the Committee is of the view that the State should voluntarily impose upon itself certain restrictions in the interests of the people when the land is sought to be acquired for its needs, for democracy is basically a 'rule of law' which cannot be easily reconciled with an inequitable and arbitrary use of power. Corruption and abuse of authority are round the corner, the moment of the protection of his rights is not available to the citizen and 'law' is sought to be by passed by short cuts.

The Committee has recommended certain reasonable restrictions in the matter of acquisition of land by the State. In this context, reference may be made here to a few of the recommendations of the Committee which are discussed at the proper places in detail. In the first place, the Committee has suggested provisions which would check excessive acquisition of land by the State. Secondly, further safeguards have been recommended for preventing non-utilisation or under-utilisation of



the land for the purpose for which the same is acquired by Government for itself or for the companies. Thirdly, the Committee has recommended that the provisions of Part VII of the Land Acquisition Act which impose salutary restrictions in the matter of acquisition of land for companies should be complied with in all cases of acquisition of land for a company other than a Government Company/Corporation/Body Corporate and not merely 'ordinarily' as envisaged by the existing rules.

The Committee has tried to harmonise the needs of the State with the rights of the citizen in such a manner that on the one hand, the State projects should not be hampered and, on the other hand, the individual should not be injured unnecessarily and inequitably.

#### Principles For Determining Compensation Main Conclusions And Recommendations

**Market Value :** The compensation should be payable on all lands acquired only on the basis of market value as has been the guiding principle acceptable upto now.

There is no need for defining the term 'market value' which has come to mean the price which a willing vender may reasonably expect to obtain from a willing purchaser.

**Potential Value :** The potential value of the land should be a relevant consideration for determining the market value.

However, while assessing compensation, rise in land values on account of declaration of intention to acquire the land or specific State action to acquire land should not be taken into consideration.

**Distinction between Normal Cases of Acquisition and Acquisition for Big Projects :** A distinction between the normal cases of acquisition where a small pocket of land is acquired for public purpose like setting up of a post office, construction of road or hospital etc. and acquisition of large tracts of land for big projects such as setting up of a new town, construction of a big dam etc. may be drawn.

**Date of Determining of Market Value in Normal Cases of Acquisition :** The market price of land may be determined with reference to the date of the publication of the notification under Section 4 (1) of the Act in normal cases of acquisition.

**Date of Determination of Market Value for Big Projects :** However, where land is to be acquired for purposes of big projects including for the purpose of a new town or town planning, the market value prevailing at the date of the publication of the project notification should be the basis for determining compensation. A project for which it is proposed to acquire land covering an area of not less than 100 acres may be considered to

be a 'big project' for this purpose.

While the fixation of the date of project notification as the material date will prevent speculative rise in prices of lands, it is not desirable to fix compensation rigidly on the basis of the market rate prevailing on the date of the publication of the project notification, as in a growing society some sort of appreciation is inevitable. With a view to preventing undue profiteering and speculation, it is suggested that an additional allowance should be made for the normal rise in the land value during the period between the publication of the project notification and that of the Section 4 (1) notification subject to a maximum of 25 per cent of the land value on the date first mentioned.

The special provisions with regard to the project acquisitions should not apply to any acquisition of land in a project area where notification under Section 4 (1) in respect of the acquisition is not published within two years from the date of publication of the notification declaring the project. Such a restriction would be reasonable and in the interest of the general public.

#### Reinstatement Value

When the land is used for some particular purpose such as for a public park, school, church, hospital, house of exceptional character business premises in which the business could only be carried on under special conditions or by means of special licence, it is very difficult to estimate its value for the purpose of assessing compensation for compulsory acquisition as there is no general demand or market for land for those purposes. One method adopted in U.K. is that known as 'equivalent reinstatement' by which is meant that the amount of compensation to be awarded is to be assessed according to the cost of acquiring an equally convenient site and erecting equally convenient premises in some other place where reinstatement is bonafide intended. This rule which was substantially enacted in Rule 5 of Section 2 of the U.K. Acquisition of Land Act, 1919 is re-enacted as Rule 5 of Section 5 of Land Compensation Act, 1961 now in force in the United Kingdom. The principle of reinstatement which has also been recognised by the Indian Courts should receive statutory recognition in our country.

**Solatium :** An adequate provision for the payment of solatium is a convenient means of providing for the cost of reinvestment and other incidental expenses which the owner might incur in connection with the acquisition of his land. The amount of solatium should be raised from 15 per cent to 30 per cent.

**No set-off for Betterment of Adjoining Land :** The land-holder whose land is acquired should not be subjected to a claim of set off while awarding compensation in respect of the land acquired taking into

account the other land which has not been acquired but which has been benefited by the proposed scheme for acquisition. The clause sixthly of Section 24 which does not permit any set off may be retained in its present form. However, the appropriate Governments may consider the question of charging of "betterment levy" upon the lands which have been benefited by the project or development in cases where it is not already levied.

**Compensation for Necessary Repairs made after the Publication of the Notification under Section 4 (1) :** The land-holder should be entitled to compensation if he makes necessary repairs for the maintenance of the building in emergent cases after communicating to Collector that he is doing so on account of emergent conditions. In other cases, he should serve a notice on the Collector indicating that he intends undertaking necessary repairs for maintaining the building in a proper state of repairs. In case the Collector does not stop him from making such repairs within a period of 60 days from the date of the service of the notice, the permission of the Collector to such repairs may be assumed. The land holder/person interested would be entitled to compensation for repairs in such cases.

The provisions of Section 24 may be retained except clause seventhly with minor changes entitling the land holder to compensation for repairs in such cases.

**No Compensation for Increase in Value due to Unlawful use of Land :** The increase in the value of the land acquired by reason of the use thereof in a manner which could be restrained by any court or is contrary to law or is detrimental to the health of the inmates of the premises or to public health should not be taken into consideration in determining the market value of the land.

The clauses secondly to sixthly in Section 23 (1) may be retained.

**Compensation for mines and Minerals :** With the abolition of Zamindaris and the vesting of mineral rights in the State Governments, the question of compensation for mines and minerals has practically ceased to be of any importance in our country. No recommendation in this regard is accordingly called for.

**Compensation in kind—land for land :** The acquiring authority should, wherever it is practicable, make available for land for the small holders so as not to disturb the subsistence equilibrium of the people affected by land acquisition. However, the option to get land for land is to be exercised only by the land owner or the person interested in land and not by the acquiring authority—Cash should not be substituted by alternate land unless the land owner agrees and that too in writing.

**Interest on Compensation :** Having regard to the normal bank rate at which loans are available, the rate of interest should not be less than 6 per cent per annum. The existing provisions of the law fixing the rate at 6 per cent per annum should, therefore, be retained.

#### **Forum And Procedure For Determining Compensation**

**Forum :** Broadly speaking, there are five agencies for determining compensation for the land acquired by the State. They are :

- (a) Tribunals,
- (b) Arbitrators,
- (c) Court and Assessors,
- (d) Collector and the Court; and
- (e) Courts.

Two out of the five agencies mentioned above were tried under the earlier Acquisition Acts in this country and have been found to be unsuitable. The Arbitrators were found to be incompetent and sometimes even corrupt. The system of Assessors for assisting the courts was also discontinued as competent Assessors were not easily procurable and there was an irresistible tendency for the Assessors to become not advisers but partisans. The system of Arbitrators or Assessors which has been tried and failed is not, therefore, commended. Nor would the system of land tribunal of U.K. be suitable for our country.

The executive agency such as that of the Collector cannot be regarded as the appropriate forum for determination of compensation for two reasons. In matters of compensation, complicated legal questions often arise and the Collector is generally not in a position to understand and appreciate the implications connected with the valuation of land. Secondly, it has been noticed that the approach of the Collector to the problem of compensation has generally been biased.

The determination of compensation should, therefore, be left only to the courts which alone are in a position to inspire confidence in the general public.

**Composition of Court :** With regard to the composition of the Court for determination of compensation, it should consist of a single person who is a functioning District Judge or a Retired Judge of the High Court, or a Senior Subordinate Judge of more than 10 years' standing.

The Senior Subordinate Judge should exercise jurisdiction only on transfer of the case by the District Judge. The term 'District Judge' will include an Additional District Judge or a retired District or Additional District Judge.

In cases where acquisition of land is made for a big project or for town planning schemes affecting a large section of the population, it may not be possible for the regular civil courts to decide the numerous cases that

may be arising out of such acquisition proceedings. A special court consisting of a High Court Judge should, therefore, be set up for the disposal of cases arising out of acquisition for big projects.

**Methods of Determination of Compensation :** The compensation may be fixed by an agreement between the parties and a reference may be made to Court if no agreement is reached. It is, however, not desirable for the Collector to negotiate in the matter of compensation, as such negotiations are likely to give rise to corrupt practices. All that the Collector should do is to make an offer on the basis of the material available with him and if that offer is accepted by the land-owner person interested, the matter ends, but if he does not expressly accept that offer or he does not communicate his reaction to the offer, it should be deemed to be a refusal in which case the Collector should immediately thereafter refer the matter to a court specially provided for dealing with the land acquisition cases.

**Procedure for Recording Agreement making Reference to Court :** As the scheme of settlement of the disputes as to area, compensation, etc., proposed by us is on the same lines as that of the Law Commission, we recommend that the procedure as prescribed in Section 12 of the draft Bill of the Commission should be followed by the Collector for recording the agreement of the parties as well as for reference of the matters for determination of the court. Briefly stated, under that provision, the Collector has to arrive at an agreement after consultation with the appropriate Government or the company or authority for which the acquisition is sought to be made and after calling for the requisite information from the claimants. The agreement is required to be signed by the parties and recorded by the Collector. In case of failure to arrive at an agreement, the matters in dispute are required to be referred to the court.

In case where the parties, served with notices under Section 9 of the Act, do not appear before the Collector, it should be deemed to be a case where no agreement has been reached and the matter should be referred to the court and the amount of estimated compensation deposited in the court.

While making a reference to the court, the provisions of Section 20 of the draft Bill of the Law Commission which correspond to Section 19 of the present Act should be followed as they envisage submission of a detailed statement to the court.

**Procedure to be Followed by Court on Receipt of Reference :** On receipt of a reference from the Collector, it is necessary that the court should give notice of the date of hearing not only to all the persons interested but also to the Collector and to the Central or the State

Governments and the company or authority for whom acquisition is sought to be made. Section 51 of the draft Bill of the Law Commission provides for such notices and may be adopted in place of Section 20 of the Land Acquisition Act.

Section 22 of the Act provides that every such proceeding shall take place in the open court, and all persons entitled to practise in any Civil Court in the State shall be entitled to appear, plead and act in such proceedings. We recommend the adoption of this section subject to the modification that any person who is not an advocate may also appear, plead and act in such proceedings. It is a matter of common knowledge that some persons are not in a position to engage practising lawyers. The interests of such persons should not be allowed to suffer for want of proper representation. Accordingly, in Land Acquisition proceedings either before the Collector or before the Court, the party should have the right of appearing not only in person or through an advocate but also through a representative of his choice though not an advocate.

**Removal of Restrictions on the Amount of Compensation, to be Awarded by Court :** Section 25 (2) places certain restrictions on the amount of compensation to be awarded by the Court. There seems to be no justification for imposing restrictions of this kind, specially when the question will be decided by a competent judicial officer. The final decision as to what is the appropriate amount of compensation under the law should be left to the court. Accordingly, the provisions of Section 25 (1) only may be retained with verbal changes so as to accord with the scheme recommended. The provisions contained in Sub-section (2) and (3) of Section 25 of the Act, may, however, be omitted.

**Form of Final Order :** With regard to the form of the final order of the court, the detailed provisions made in Section 58 of the draft Bill of the Law Commission relating to the form of the final order of the court should be adopted. A provisions of this kind would enable the party to know exactly the value of the time separately.

**Execution of final order :** Every final order of the court should be executable as if it were a decree of the court as provided in Section 59 of the Bill of the Law Commission.

**Apportionment of Compensation :** With regard to the apportionment of compensation, the provisions of Section 54 as given in the Bill of the Law Commission should be adopted.

**Procedure In Other References Under The Land Acquisition Act :** Section 57 of the draft Bill of the Law Commission which lays down the procedure for making a

improvement etc. The term big project may be defined to mean the project for which it is proposed to acquire land covering an area of not less than 100 acres.

**Preliminary Survey of Land etc., Before Issue of Section 4 Notification :** A provision may be made in the Act for a preliminary survey of land before the issue of notification under Section 4 for the purpose of enabling the Government to determine whether the land in any locality is needed or is likely to be needed for any public purpose.

The Collector should issue a notification for making a preliminary survey whereupon it would be lawful for an officer of the Government and his servant and workmen having written authority of the Collector to undertake survey and to carry other operations etc.

The provision in regard to the preliminary survey should normally be made use of in cases of acquisition for big projects but the applicability of this provision is not restricted to such cases of acquisition only. Such a provision would give sufficient time to the appropriate Government to make up its mind in regard to acquisition prior to the issue of the notification under Section 4 (1) even in normal cases of acquisition.

**Measurement of Land and Preparation of Plan Thereof :** The provision of Section 8 are unnecessary and the measurement and making of a plan etc., should be done while carrying out survey etc. under Section 4(2). The notification under Section 4(1) should be broad based to include description of the land by its survey number, if any, and also by its boundaries and its approximate area.

A copy of the notification should be served on the owner, and where the owner is not the occupier also on the occupier of the land. The public notice of such notification should also be given in the case of land situated in a village in the office of the village panchayat within whose jurisdiction the land lies.

The notification should also specify the date, (such date not being less than 21 days from the date of the notification), on or before which and the manner in which objections to the proposed acquisition can be made.

A provision may also be made in Section 4 that the land should be measured and a plan made and the names of persons interested also collected.

**Disputes for Damage Arising out of Preliminary Survey/ Investigation :** All disputes as to the sufficiency of the amount of compensation in regard to the damage done to the land whether during the course of the preliminary survey prior to the issue of Section 4(1) notification or during the course of the preliminary investigation under Section 4(2) after the issue of the said notification should be settled by the court and not by the Collector.

**Representation in Enquiry before the Collector and**

**Report of Collector :** The person interested should be allowed to be represented by a representative of his choice who need not necessarily be an advocate in the enquiry conducted by the Collector under Section 5A(2). A comprehensive report inclusive of all the data relating to the investigation, survey, measurements and plan which should be completed under Section 4(2) should be forwarded to the appropriate Government by the Collector for decision that the land is needed for a public purpose.

A copy of the report of the Collector should be supplied free of cost to the persons interested.

**Representation to Government Against Report of Collector :** An opportunity to represent the case to the Government against the report of the Collector may be given to the objectors and the objector should be allowed to plead their case by a representative of their choice, who may not be an advocate.

**Declaration of Public Purpose :** The declaration under Section 6 should inter alia specify the land with its precise boundaries and survey number, if any, its area and the place where the plan of the land could be inspected and the public purpose for which the land is needed in clear specific and unambiguous terms. In this context, the provisions contained in sub-sections (1), (3) and (6) of Section 8 of the Draft Bill of the Law Commission may be adopted except in so far as these lay down the time limits.

The issue of the number of declarations under Section 6 should not be restricted provided the overall time limit prescribed by the Committee is adhered to.

**Notice to Persons Interested :** The provisions of Sections 10 and 11 of the draft Bill of the Law Commission relating to the issue of notices to persons interested by the Collector, should be adopted in so far as they accord with the scheme recommended by the Committee.

**Power to take Possession and Payment of Compensation :** It is not desirable to allow the Collector to take possession of the land without an offer of the estimated amount of compensation due to the persons interested. The procedure prescribed in Sections 10, 11 and 12 of the draft Bill of the Law Commission should be followed by the Collector before taking possession of the land.

Except in cases of emergency, the collector should, within one month from the date of the agreement, tender payment of the amount of compensation to the persons interested entitled thereto according to the agreement and should pay it to them.

In case where no agreement is arrived at between the collector and the person interested, the estimated amount of compensation should be paid by the Collector to the persons interested entitled thereto.

In case where the agreed or the estimated amount of compensation tendered by the Collector is not accepted by the person interested entitled thereto the same shall be deposited in the court. If there is no person competent to alienate land or if there be any dispute relating to title to the compensation or to the apportionment of it, the collector should deposit the estimated amount of compensation in the Court and give notice of such deposit to the persons interested entitled to the amount.

In cases where there is no agreement between the parties as to the amount of compensation the acceptance of the estimated amount of compensation should be without prejudice to the right of the party to claim the proper amount of compensation in the court.

The Collector should not take possession of any land without giving reasonable notice to the person interested in the land. Such a provision would enable them to remove their property from the land without unnecessary inconvenience.

**Fixing Time Limits :** An overall time limit from the date of issue of notification under Section 4(1) up to the date of reference to the court may be prescribed.

A period of 12 months from the date of issue of notification under Section 4(1) up to the date of reference to the court should be sufficient to complete the proceedings upto that stage in normal cases of acquisition. In some cases in which it may not be possible to complete the provisions within this period, it may be extended by another 3 months if there are good reasons to be recorded in writing.

In the case of acquisition of land for big projects, an overall period of 12 months should also be sufficient for completing proceedings from the issue of notification under Section 4(1) upto the date of reference to the court. In cases where it is not possible to complete the said proceedings within this period it may be extended by another six months, if there are good reasons to be recorded in writing.

The time taken in litigation during the prescribed time limit should not be taken into account for computing the aforesaid time limits unless the court, for sufficient reasons, rules it otherwise.

If within the time specified, the land acquisition proceedings are not completed up to the stage of the order of the collector in terms of the agreement or a reference to the court (in case no such agreement is arrived at), the notification under Section 4(1) should stand cancelled and the persons interested in the land should be entitled to apply to the court for an order against the collector for restoration of the possession in accordance with their respective interests and payment of such compensation as the court may determine in respect of the damage done,

The result of the cancellation of the notification under Section 4 (1) will be that the Government will have to issue a fresh notification under Section 4 (1), in which case the person, interested will be entitled to compensation on the basis of market value as on the date of such fresh notification.

**Suggestions for Streamlining the Process of Acquisition :** The Revenue Department of the State Government which is concerned with the subject of land, its classification, settlement, land records (jamabandi, mutation register etc.), should be the appropriate department which can be entrusted with the task of formulation of policy in regard to land acquisition.

This Department can also provide coordination and initiative and exercise supervision and control. The Revenue Department is certainly in a position to have an objective approach to the problem of land acquisition particularly because acquisition is made by this Department mostly for other departments. The land acquisition cells should be set up at the Tehsil, District and State levels which should collect necessary data from the Revenue Department as well as from the offices of the Sub-Registrar.

The Cell at the State level should preferably be under the charge of a trained Valuation Officer.

The whole time staff should be appointed for land acquisition work for expediting the various stages involved in acquisition.

Suitable training courses may be designed for training the staff in regard to surveys, measurement, valuation of land etc., if considered necessary.

**Setting up of Directorate of Land Acquisition :** A Directorate of Land Acquisition under the charge of the Member, Board of Revenue with high Secretariat status should be set up and he should be made responsible for the speedy completion of all land acquisition proceedings in the entire State.

A regular system of bi-monthly review at the State level and monthly reviews of progress and correction of necessary data at the level of Collector/Land Acquisition Officer should be introduced.

The suggestions in regard to setting up of Directorate of Land Acquisition are not intended to fetter the discretion of the State Governments in adopting other suitable measures, for streamlining the working of the land Acquisition Act.

There should be effective preplanning for minimising the delay. Preplanning is mostly necessary in cases of acquisition of land for big projects. A project notification which should remain valid for a period of two years should be issued in order to enable State Governments to complete the preliminaries in the case of acquisition of land for big projects. With a view to protecting the rights of the persons interested in the

land, it is suggested that in case the notification under Section 4 (1) is not issued within a period of two years from the date of the project notification, the land covered by the project notification should be free from all the handicaps and restrictions imposed by acquisition proceedings.

### Special Powers In Cases Of Urgency/Emergency

Section 17 arms the Government with drastic powers. In acquisition proceedings all over the country, the Urgency clause has been the most abused section. It has become a rule for the acquiring authority to apply the urgency clause; and to dispense the provisions of Section 5-A which enables the owner or the occupier of the land proposed to be acquired to raise objections before the acquiring authority.

The courts are also not satisfied from their experience about the use of the urgency clause that the acquiring authority applies its mind in deciding whether or not the urgency clause should be made use of, and thus deprive the owners and persons interested in the land of a valuable opportunity to raise objections to the proposed acquisition.

Though there would be a justification for taking possession of the land without an enquiry under Section 5-A, in an emergency, such a procedure should not be permitted in cases of emergencies not specified in the Act.

The Law Commission had recommended the use of the Special Powers in cases of specified emergencies only. Under the scheme of the Commission, the restriction under Section 17 confining the power to take immediate possession to waste and arable lands has been removed. In Section 32 of their Bill, the Commission has specifically included emergencies of the nature contemplated in sub-section 2 of Section 17, such as the repairing of the breaches in the means of communication. The Commission has added a new sub-section to the effect that the Collector should on taking possession, immediately report the same to the appropriate Government together with the reasons thereof. Thereupon, the appropriate Government has to decide within three months of the receipt of the report whether procedure for acquisition of land should be commenced or not. If the Government fails to decide within four months of the date of taking possession, the persons interested in the land are entitled to restoration of possession of the land together with compensation.

The Draft Bill of the Commission also provides for the payment of interim compensation in such cases of acquisition to the extent of about 60 per cent of the amount which the person concerned would, in the opinion of the Collector, be entitled to claim in respect of the land. Where payment is to be made for damage

sustained by sudden dispossession, the dispute as to the sufficiency of the amount is to be referred by the Collector to the Court. Sub-Section 4 of Section 17 has been omitted by the Law Commission because under the scheme of the Commission, possession can be taken by the Government even before the issue of a notification under Section 4.

Subject to the following modifications the recommendations of the Law Commission as embodied in Section 32 to 34 of their Draft Bill should be adopted.

(1) That an opportunity should be provided to the dispossessed land owner to appeal to the Government against the decision of the Collector in the first instance when he takes possession of his land on all grounds available to him;

(2) That the interim compensation which was suggested by the Law Commission as 60 per cent of the value estimated by the Collector should be raised to 90 per cent and this should be given to the land-owner;

(3) That the land-owner should be provided an opportunity to take his grievances to a court of law if he is dissatisfied by the order of the Collector upheld by the Government.

The provision of Section 17 should be made applicable only to the cases of emergencies specified in Section 32 of the Draft Bill of the Law Commission.

Section 31 of the Draft Bill of the Law Commission provides that apart from emergency, the Collector may after issue of notification under Section 4 (1), take possession of the land if the persons interested in the land express in writing their willingness to surrender possession of the land by waiving their right to object to the acquisition. This provision is likely to create intricate and complex problems and should not, therefore, be adopted.

### Extent Of Government Responsibility For Rehabilitation Of Evicted Families And Recommendations About Discharge Of His Responsibility

Extent of Rehabilitation Compensation—position under the Existing Law : Under the Land Acquisition Act, 1894, no compensation is payable to the persons who are not interested in the land on the ground that their earnings have been effected by the change of ownership or indeed on any ground. However, if the acquisition injuriously affects the earnings of the person interested, he is entitled to claim further compensation beyond the market value of the land.

The law in the United Kingdom as well as the law as contained in clauses fourthly and fifthly of Section 23 (1) of our Land Acquisition Act, 1894, does provide for payment of compensation attributable to the disturbance involving a change of residence or place of business in consequence of the acquisition of the land.

However, this compensation is payable only to the persons interested in the land such as the owners, the tenants and mortgagees in possession, etc.

The increase in the amount of solatium would go a long way in meeting the cost of rehabilitation in the case of the land owners and other persons interested in the land and entitled to compensation under the provisions of the Act.

**Rehabilitation of Displaced Families who do not Fall in the Category of Persons Interested :** The problem of persons displaced as a consequence of acquisition of vast areas of land for various development projects undertaken by the State after Independence has assumed great importance. Such persons have no right to compensation under the existing law. While it may not be possible to provide in the body of the statute for measures of rehabilitation of such uprooted families. Government should accept a social and moral responsibility for the rehabilitation of persons who indirectly suffer damage as a result of acquisition i.e. labourers, artisans and similar other classes of persons who lose their occupations due to the whole-sale shifting of inhabitants when large areas are acquired. The State should assume responsibility in the case of such labourers and artisans whose occupation is gone and who are compelled to shift and start afresh the struggle for life as they have been doing under their normal programmes for giving doles to the aged, the infirm and destitutes. Of course, assistance should be given primarily to the poor and deserving persons who have lost their means of livelihood as a result of the uprooting that is involved in acquisition for big projects.

**Resettlement of Displaced Persons :** The measures for rehabilitation of displaced persons fall broadly into two categories—(i) resettlement of displaced persons, and (ii) economic rehabilitation. Unless the State Governments set up resettlement colonies with essential community facilities, it is not possible for displaced families who do not own land but are part of the social and economic fabric of the village community to resettle themselves. Though it is not practicable to lay down any hard and fast rule on the subject, the State Governments concerned should undertake responsibility for rehabilitation of uprooted families as their social and moral responsibility. They may allot land to displaced families for the purpose of their resettlement either on lease or on a hire-purchase basis. The cost may be recovered by easy instalments with nominal interest. The displaced cultivators may, as far as possible, be allotted surplus culturable land with irrigation facilities. They may be granted taccavi loans for the purchase of seeds, agricultural implements, fertilizers etc. If the number of displaced families is considerable, new colonies may be set up with necessary amenities such as

internal roads, cross drainage works, drinking water community hall, schools, places of worship, burial grounds, etc.

**Economic Rehabilitation :** On account of shortage of land in certain projects areas it may not be possible to provide land to the landholders equal in area to the land acquired by the acquiring authority. In some cases it may not even be possible to provide any cultivable land to the displaced persons or tillers who depend mainly on cultivation. Even in cases where some land has been provided in lieu of the land acquired, the displaced persons may have to be absorbed in certain other vocations or employed on the project, subject to their suitability, to meet their immediate necessities and livelihood.

**Preferential Treatment to Displaced Persons in the Matter of Employment :** One of the measures which can be adopted for rehabilitation is that the persons displaced as a result of acquisition of land for a big project may be given preference in employment to the posts arising in the industries for the establishment of which the acquisition is sought to be made. The question of giving preferential treatment in employment has assumed great importance after Independence owing to a large-scale acquisition of land required for massive scheme of development. The problem posed by the scheme that the 'sons of soil' or *mulkiyas* are entitled to preferential, if not exclusive appointments in industrial establishments started in the respective regions has been considered by the National Commission on Labour in its Report of 1969. The Commission expressed the view that on principal, it is difficult to reconcile this concept with the claim that if an industry is established in a region, it is the inhabitants of that region who are entitled exclusively or at least preferentially to employment in that establishment. The Commission also thought that such a claim, if accepted would hamper mobility in economic life altogether and create walls of exclusiveness between different regions. However, having regard to the hard facts and realities of life, the Commission has made certain recommendations which they thought can be reasonably and fairly worked out within limits which will not contravene the basic concept of one citizenship and the Fundamental Rights guaranteed to all the citizens. The Commission pointed out that the main elements in the claims on behalf of the 'sons of the soil' have long been recognised by the Government of India when it laid-down certain principles in the matter of recruitment to its public undertakings. The Commission thought that the Directive if implemented in the spirit in which it has been drawn up will provide adequate scope to local persons. Since dissatisfaction still persists in spite of the directive, the Commission recommended that the following steps to

supervise its implementation should be taken to remove unjustified apprehension among the local candidates :

(i) While recruiting unskilled employees, first preference should be given to persons displaced from the areas acquired for the project and next preference should be given to those who have been living within the same vicinity.

(ii) The selection of persons to posts in lower scales should not be left entirely to the head of a public sector enterprise. It should constitute a Recruitment Committee with a nominee of the Government of the State within which the unit is located as a member of the Committee.

(iii) In the case of middle level technicians, where the recruitment has to be on the all-India basis, a member of the State Service Commission should be associated in making selections in addition to the State Government official on the Board of Directors.

(iv) Apart from the report sent to the concerned Ministry at the Centre, the undertaking should send a statement at regular intervals, preferably every quarter, to the State Government about the latest employment and recruitment position.

According to the Commission, the steps recommended above should also be made applicable equally to recruitment in the private sector.

The Committee endorses the above recommendations of the National Labour Commission for adoption in connection with rehabilitation of persons displaced as a result of large-scale acquisition of land for projects.

**Other Measures for Rehabilitation of Displaced Persons :** The measures like opening of training centres for imparting semi-technical training, advancing of short-term loans with nominal or no interest and in deserving cases sanction of grants and giving preferential treatment in the matter of employment to lower scale posts should go a long way to ensure economic rehabilitation of displaced persons.

**Financial Resources for Rehabilitation :** The part of the cost towards rehabilitation should be met from the funds collected as a result of levying of betterment fees.

The rehabilitation cost should also form a part of the cost of the project which in many cases are developmental projects and are likely to give returns many times more than the cost incurred in setting them up.

In case the project is not a productive one and it is not feasible to levy a betterment fee, or if the fund raised therefrom are not adequate to meet the costs of rehabilitation, the necessary funds should be found from the general revenues. These schemes may also form part of such social welfare programmes of the State Governments.

#### **Betterment Levy**

The concept of levying betterment fee is not new

to this country. Most of the State Governments have already levied betterment fee on lands whose value has appreciated as a result of irrigation facilities provided by the projects undertaken in the Five Year Plans. Some of the Town Planning and Town Improvement Acts have also included provisions for the levy of betterment fee in the case of urban lands although some of these Acts follow the principles laid down in the Land Acquisition Act for the payment of compensation for acquisition of the land for town improvement or town planning.

The State Governments may levy betterment fee on the lands which have been benefited as a result of the implementation of the projects or development schemes initiated by the Government.

The fees may be levied on such of the lands as are not covered by the existing laws levying such fees e.g., levy on irrigated lands or the lands covered under various Town Planning or Town Improvement Acts etc.

The amount of betterment levy should be utilised primarily for the rehabilitation of uprooted land-holders.

The State Governments, while examining the question of levying betterment fee in respect of lands covered by big projects, should draw a distinction between the land-owner whose land is acquired in part for the execution of the project and the owner who has not lost an inch of his land but has benefited as a result of increase in value of his land on account of the execution of the scheme. The land owner whose land is acquired in part for the execution of the project stands on a different footing vis-a-vis the owner who has not lost any land in the execution of the scheme but is none-the-less benefited as a result of the scheme. The former would receive compensation only on the basis of market value which existed two years anterior to the date of publication of such notification together with an allowance for the normal rise in the prices of land subject to a maximum of 25 per cent, under the scheme recommended by us. If there were a rise in the prices of lands (and the present trend seems to be in that direction) between the date of the declaration of the project and the date of Section 4(1) notification, the person whose land is partly acquired for the project may be defined of compensation which would have been payable to him on the basis of market-value as on the date of publication of notification under Section 4(1), if the same land were acquired for public purposes other than the execution of a big project. This would create invidious distinction between the advantage gained by a land-owner whose land has not been acquired at all and the loss suffered by a land-owner whose land has been partly acquired. The States should try



to operate the laws in as equitable a manner as possible and we think that the rate of betterment levy should be lower in the case of such land owners whose land has been partly acquired vis-a-vis the persons whose land is not acquired at all but has been equally benefited by the scheme.

Imposition of a betterment levy appears entirely to be within the ambit of Entry 49 of the State list of the VII Schedule of our constitution and within the competence of the State legislature. In view of this position of the law, it will not be feasible to have parliamentary legislation prescribing uniformity in the rate of betterment levy and ancillary matters, such as procedure for assessment, determination and recovery thereof. The matter, must, therefore, be left to the States.

#### **Feasibility Of Enacting A Uniform Law On Land Acquisition**

**Extent of the Applicability of the Act :** The law of Land Acquisition should be made applicable to the whole of India including the States of Jammu and Kashmir and Nagaland after complying with the necessary constitutional formalities in respect of these two States, as there are all reasons in favour of this proposition and none against it.

**Need for Enforcing a Uniform Law on Land Acquisition :** The view of the Law Commission that the rights and liabilities of citizens of one State should not materially differ from those of another in the matter of acquisition of land is endorsed. The taking of land causes the same hardship to the owner and the object for which it is required can have no bearing in determining its value. The existence of public purpose is a condition precedent in all types of acquisition of land and as such the compensation payable for acquisition of any kind should, as far as possible, be on a uniform basis.

The principles of compensation and the time limits for completion of the acquisition proceedings suggested by the Committee should be made applicable to all cases of acquisition of land irrespective of the object for which the acquisition is sought to be made, whether such object relates to a matter falling within the union list or the State List.

A single and simple piece of legislation relating to acquisition of land would go a long way in avoiding confusion in the mind of the public with regard to the rights possessed by them in this regard, and will also remove a temptation before the acquiring authority of preferring to adopt the procedure which is more favourable to their designs but for more injurious to the interests of the land holder.

**Applicability of Uniform Law on Acquisition to Slum Clearance Schemes :** Even when land is sought to be

acquired for clearance of slums, the persons interested in land should get a better deal than under the existing laws in force in the various States and certain Union Territories. The basic principle governing the compensation to be paid for slum property is that the acquiring authority should not where the property is unfit for human habitation and dangerous to the health of the inhabitants of the area, pay for any value which is not rightly due to the owner. It is for this reason that the Committee has recommended the adoption of Rule 4 of Section 5 of the U.K. Land Compensation Act, 1961, which provides that, in assessing compensation, no account should be taken of any increase in the value of the land due to its use in a manner which is detrimental to the health of the occupants or to the public health. Reading this rule together with the rule of awarding compensation on the basis of market-value as on the date of notification under Section 4(1), the courts would not award an amount of compensation greater than the one which would be justly due to the slum owner. Government is not, therefore likely to suffer much by applying the uniform principles of compensation, recommended by the Committee, even to the acquisition of slum property.

**Control by President for Ensuring Uniformity :** Any Act Passed by the State Legislature on a matter within the State field will have to comply inter alia with clauses 2 and 3 of Article 31 if the law contains provisions for expropriation of property. There may not be much difficulty in the State Law satisfying the requirements of the provisions of Article 31(2) if the compensation provided by the Law is not illusory and the same is based on principles which are not irrelevant but effective control can be exercised by the President under Article 31(3) of the Constitution for ensuring uniformity. Article 31(3) provides that no law as is referred in Clause (2) of Article 31, made by the legislature of a State shall have effect unless such a law having been reserved for the consideration of the President has received his assent. The provisions relating to acquisition of land contained in the Central as well as the States Acts should follow a uniform pattern with regard to certain essential matters such as principles of compensation and time limits for completion of the acquisition proceedings, irrespective of the object of acquisition to be served by the acquisition, whether such object relates to a matter falling within the Union List or the State List. The principles of compensation and time-limits should not be different from those recommended simply because the objects of acquisition happens to be town planning/improvements, development of industries, slum clearance or execution of projects and housing schemes, etc.

As the President exercises his authority with the

advice of the Union Ministry, it would be open to the Ministry concerned to recommend to the President to withhold his assent to the State law providing for acquisition if that law differs in material respects, i.e. principles of compensation and time-limits for completion of acquisition proceedings from the parliamentary legislation in conformity with our recommendations.

**Whether Parliament can Legislate on Land Acquisition for Objects Specified in the State List :** Parliament is competent to pass a law for compulsory acquisition of land even in Cases where the acquisition is sought to be made for State purposes such as town planning/improvement, development of industries, public health and sanitation, slum clearance, etc., which are matters covered by the State List. The mere fact that the objects of acquisition are covered by the matters enumerated in the State List would not, detract from the fact that the legislation is, in pith and substance, relating to acquisition of property under Entry 42 of the Concurrent List.

**Procedure for Ensuring Uniformity of Law in the Matter of Acquisition of Land :** While the States may have their own laws relating to town planning, public health, etc., for regulating matters other than land acquisition, there is no reason why acquisition for such purposes should not be governed in regard to essential matters such as compensation and time limits by parliamentary legislation on the subject.

Parliamentary legislation in so far as it relates to the principles of compensation and the time-limits for the completion of acquisition proceedings, in accordance with the recommendations of the Committee, will override the repugnant provisions in the existing law on the subject because under Article 254(2) of the constitution, Parliament can always override or repeal State Law to the contrary in the concurrent field. A law which might thereafter, be passed by a State in derogation of the law passed by Parliament, will have to be reserved for the assent of the President and would not become law unless the same is given in accordance with Article 31(3).

When the matter comes, for the assent of the President, it would be open to the concerned Administrative Ministry of the Union to advise the President to refuse his assent to any law of the State purporting to override the law enacted by Parliament particularly when the State Law adopts principles of compensation, etc., which are materially different from those contained in the Law enacted by Parliament. The assent of the President will thus depend on the policy of the Union Executive. This policy should be governed by the necessity of ensuring uniformity of law of compulsory acquisition of land throughout the country, irrespective of the objects to be served by the acquisition.

## Recommendations On Other Matters For Improvement In The Land Acquisition Act

**Setting up of Land Acquisition Committee :** The Land Acquisition Committee constituted under the Land Acquisition (Companies) Rules, 1963, plays an important role in advising the Government against excessive acquisition of land and taking of good agricultural land for companies. The advice of the committee is intended to act as a valuable safeguard not only against excessive acquisition but also against acquisition of good agricultural land for companies. However, there is no provision either in the Act or the Rules made there under for preventing excessive acquisition of land or acquisition of good agricultural land when the acquisition is sought to be made by the State for a public purpose, and not for a company.

It is found that land is acquired merely as a reserve fund not only for the expansion of the project in hand but also for projects which were not yet even conceived so that extensive land without paying the market price of the day should be available to the State and thus the landowner is denied a fair deal. It is a device by which the price of the land is frozen without making any payment so that the landholder should not get the advantage of even the natural rise of price. It is, therefore, necessary to provide for a device which will prevent at the initial stage any intention to acquire land for in excess of the reasonable requirements of the acquiring authority.

It would not be practicable to impose a total ban on the acquisition of good agricultural land. Acquisition of good agricultural land might become necessary in certain cases because it is located at a strategic place and is needed for the defence of the country and also for the development of agriculture itself as for irrigation projects, canals, agricultural institutions, seed-farms, and roads for the transport of the agricultural products. However, there can be no two opinions on the question that good agricultural land should not be acquired unless it is absolutely necessary. It is thus necessary to provide for a statutory device for preventing the acquisition of good agricultural land and acquisition of excessive land, agricultural or non-agricultural.

A Land Acquisition Committee should therefore, be set up under the Act for advising the Government in respect of the Land Use Policy in the matter of large-scale acquisitions for any public purpose including the implementation of projects. The functions of the Committee would be to ensure that :

(i) The land which is already in the possession of the acquiring body is put to optimum use before permitting the proposed acquisition.

ii) An excessive acquisition does not take place.

(iii) The acquisition of good agricultural land does not take place where it can be avoided ; and

(iv) The proposed acquisition is justified on the basis of high density norms.

The Committee should tender advice to the Government before issue of the notification under Section 4(1) of the Land Acquisition Act.

The composition of the committee should be left to the appropriate Government, but its members should include both experts on the subject and representatives of the people.

**Definition of Expression 'Person Interested' :** The definition of the expression 'Person Interested' should be adopted with verbal changes suggested by the Law Commission, and further amended suitably so as to include also owners, occupiers and persons whose names are registered in the revenue record for making it more explicit for the purpose of clarity.

**Local Authority :** A local authority should include the town planning and town improvement authorities so that acquisition of land should be made for these authorities as well only under the Land Acquisition Act.

**Power to Summon and Enforce Attendance of Witnesses and Production of Documents, etc. :** Section 64 in the draft Bill of the Law Commission relating to powers of Collector to summon and enforce attendance of witnesses to examine them on oath or commission may be adopted, as the same is more elaborate than Section 14 of the Act.

**Surrender of Possession :** Section 47 of the Land Acquisition Act relating to enforcement of surrender of possession may be adopted subject to the modification that the Collector shall be entitled to enforce the surrender of the possession of the land only after he has paid or deposited the whole estimated amount of compensation in court or 90 per cent of the amount when acquisition is made in an emergency.

**Withdrawal of Acquisition Proceeding :** The provisions of Section 48 relating to withdrawal from acquisition of land should be retained with an addition that in case of dispute as to the amount of compensation under sub-section (2) of Section 48, the Collector shall refer the same to the court for decision.

**Acquisition of Part of House, Building, etc. :** The provisions of Section 49 (1) of the Act relating to acquisition of part of house or building may be adopted subject to the provision that the owner of the land will have option to withdraw or modify his expressed desire that the whole of such house, etc., should be acquired within 30 days from the date of service of notice upon him of the intended acquisition in respect of which

notice under Section 4 (1) has already been issued.

The provisions of Section 49 should also be made applicable to land as well in certain cases, and a new provision should be incorporated in the Act providing that in cases where only a part of the land is acquired and the land-owner desires that the whole of his land should be taken on the ground that the retention of the remaining part has become uneconomical for him, the collector may either acquire the whole of the land or in case where he is satisfied that the plea of the landlord is not tenable shall refer the matter to the court for determination whether or not the retention of the remaining part has become uneconomical for the owner. In such an event, the Collector can take possession of the part of the land in respect of which a notification under Section 4 has been issued after complying with all the relevant provisions of the Land Acquisition Act.

**Section 51 : Exemption from Stamp Duty and Fees :** Section 51 of the Act relating to exemption from stamp duty and fees may be retained subject to verbal changes as suggested in Section 69 of the draft Bill of the Law Commission.

**Protection of Compensation from Seizure or Attachment :** Section 70 of the draft Bill of the Law Commission which protects compensation from seizure or attachment where such compensation is awarded in respect of acquisition of land which is not liable for attachment or sale in execution of a decree or order of any Civil Court, may be adopted.

**Proof by Certified Copies :** Section 71 of the draft Bill of the Law Commission, which provides that in any proceeding under the Land Acquisition Act, a certified copy of the registered document may be accepted as evidence of the transaction recorded in the document without the necessity of production or proof of the original, should be adopted.

**Penalty for Destroying Trenches, etc. :** Sections 77 and 78 of the draft Bill of the Law Commission which provides for penalty for destroying trenches, etc., should be adopted subject to the modification that the term of imprisonment and the amount of fine should not exceed three months and Rs. 250 respectively.

**Cognizance of Offences :** Section 79 of the draft Bill of the Law Commission, which provides that no court shall take cognizance of an offence under Sections 77 and 78 except on a report in writing by an officer authorised in this behalf by the appropriate Government, may be adopted.

**Power to Make Rules :** In order to ensure uniformity, the power to make the Rules under Section 55 of the Act should be vested only in the Central Government.

### What Should Not Constitute A Public Purpose

Though the expression 'public purpose' is not capable of a precise definition, we thought that it would be possible to specify cases in which acquisition should not be considered as being for a public purpose. In our view, some restrictions on acquisition of land should be imposed in certain cases. With this object in view, the proposal to include the following provision in the Land Acquisition Act was considered :

"Unless compelling circumstances (to be stated in writing) exist, which render it necessary so to do, no proceedings for acquisition shall be taken in respect of any land or building :

(a) Which has been acquired by the appropriate Government for a public purpose under this Act or any other law relating to acquisition and has been or is being put to use for the said purpose; or

(b) Which is already being used by a person or body of persons for a housing scheme or industry and the public purpose for which it is being acquired is the same; provided that :

(i) The person or body of persons is willing to accept such conditions and specifications as may reasonably be imposed in this behalf by the appropriate Government.

(ii) The person or body of persons is willing to furnish the necessary financial guarantees as may be required of him regarding the due execution of the housing scheme or industry, as the case may be."

## THE ADMINISTRATIVE REFORMS COMMISSION, WORKING GROUP ON SMALL SCALE SECTOR, 1967--REPORT

Delhi, Manager of Publications, 1968. 164p.

Chairman : Shri Arun Chandra Guha.

Members : Shri A.G. Kulkarni; Dr. J.N. Thadani;  
Dr. P.C. Alexander; Shri K.L. Nanjappa;  
Shri K.M. Mirani

Secretary : Shri D.D. Basu.

### APPOINTMENT

The Administrative Reforms Commission had set up a Working Group on Small Scale Sector on July 31, 1967.

### TERMS OF REFERENCE

(i) To examine the efficiency of the several steps taken by the Central and the State Governments for the encouragement of the Small Scale Sector;

(ii) To suggest a clear demarcation of responsibilities between the Central Government and the State Governments so as to remove organisational bottlenecks;

(iii) To indicate the proper role and functions of the Central Small Industries Organisation;

(iv) To suggest an appropriate organisational pattern for providing the various inputs like finance, raw materials, etc., to the small scale sector; and

(v) To examine the possibility of providing legislative protection to the small scale industry.

### CONTENTS

Introduction; Review of Small Industries Development; Industrial Policy; (i) Role and Functions of the Organisation of the Development Commissioner, Small Scale Industries; (ii) Role of State Governments and Coordination Between the State and Centre; Role of : (a) National Small Industries Corporation, (b) State Small Industries Corporation, (c) Small Industries Extension Training Institute; Adequacy of Some Important Schemes for the Development of Small Industries; (a) Supply of Credit (b) Supply of Raw Materials to Small Scale Sector (c) Government Store Purchase Programme (d) Development of Ancillaries in the Small Scale Sector; Legislation; Acknowledgement; Summary of Conclusions and Recommendations; Appendices from I to XI.

### RECOMMENDATIONS

The Groups cannot but view with dissatisfaction the practice of the States to utilise the allocation for Small Scale and village industries for other purposes through

diversion of funds. To the extent that funds allocated for Small Scale industries programmes are diverted to other uses, there is bound to be slowing down of progress in the sphere of Small Scale industries.

The Groups are firmly of the opinion that in view of the definite and distinct role assigned to the Small Scale Sector in the industrial development of the country and the contribution of the sector to the growth of industrial production and employment opportunities on a substantial scale, allocations earmarked for Small Scale industries should not be utilised by States for other purposes. Even if any diversion becomes unavoidable, such diversion of funds should not be effected except with the prior approval of the Centre.

Apart from the unhealthy practice of diversion of funds from the small industrials sector referred to above, the diminishing share of the Small Scale Sector in the State Plan allocations indicates a tendency to regard the Small Scale industries as a non-priority sector, but the Groups are convinced that this tendency would lead to a dilution of the social and economic objectives of planning as mentioned earlier, including creation of quicker and substantial employment opportunities at relatively Small Capital cost, reducing disparities of income and ensuring an equitable distribution of national income, mobilisation and utilisation of local resources of capital and skill, stimulation of local entrepreneurship and promotion of integrated agro-industrial development, etc. The Group, therefore, consider it every necessary for all State Governments to give high priority to the small scale industries sector in the State Plans.

The Group feels that the tendency on the part of a large number of States to allocate a diminishing proportion of the State Plan outlay to the small scale industries sector has been partly due to the availability of Central assistance to different States in the form of loans and grants on a widely differing basis. It will be worthwhile to quote from the Estates Committee Report of 1965-66 on the Organisation of the Development (Small Scale Industries) regarding allocation of Central assistance which States as follows :

"The Committee note that, during the Third Five Year Plan period, the progress of expenditure on the Small Scale industries programmes in the different States has been determined very largely by the quantum of Central assistance in the form of loans and grants, Sanctioned to a State. For instance in Mysore and Rajasthan, where the percentage of Central assistance to the Plan outlay is relatively, low (31.08 per cent and 37.2 per cent respectively), the percentage of shortfall in the Plan expenditure is very high (63.82 per cent and 58.61 per cent). On the other hand, in Madras, which has received, Central assistance to the extent of 89.71

per cent of its plan outlay, there is not only no shortfall but the actual expenditure is likely to exceed the Plan target by about 18.1 per cent."

It would appear from the figures of Central Assistance to States (loans and grants) during the Third Plan period, that the flow of Central assistance to States has varied widely leading to great disparities in the levels of actual expenditure for and actual development of the small scale industries among the various States. But the Group feels that to reduce the existing disparities in the levels of industrial development between States, the proportion of Central assistance should be higher in the case of less developed States. Similarly, the division of Central assistance into grants and loans should give due weightage to the less developed States, so that the allocation of grant is higher in their case as compared to the more advanced States.

The Group strongly feels that while there has been, awareness of the need for strengthening the small scale sector by reserving areas of production where large scale operations are not considered to be of any distinct advantage, a number of actions have been initiated by the Government of India to exempt more and more industries from the operation of the Industries (Development and Regulation) Act, so as to encourage the development of large and medium undertakings in such industries in a free and unfettered manner. These two lines of action have posed a contradiction in thinking and planning and resulted in a lot of uncertainty being introduced in the policy for the development of small scale industries.

The Group is definitely of the view that there is an urgent need for clearly defining the national policy for the development of small scale industries. The specific clauses in the Industrial Policy Resolution 1956 concerning action and the reference to the combined category of cottage, village and small scale industries in the Policy Resolution has created difficulties about the implementation of the policy in regard to the modern small scale industries as the requirements of such industries and those of village and cottage industries have undergone changes and are substantially different at present.

#### Basic Principles For A New Small Industry Policy

The industrial policy for the development of small scale industries should clearly affirm the priority nature of the industries in the small scale sector in view of its potential for creating employment opportunities, stimulating entrepreneurship in middle and lower middle class society and bringing about a more equitable distribution of income and wealth. It is of the utmost importance to accelerate the industrial and

Designation of Post	No. of Post required	Scale of Pay Rs.
1. Industrial Adviser (Plastic and Plastic Chemicals)	1	1,800—2,000
2. Industrial Adviser (Electrical Engineering and Electronics)	1	1,800—2,000
3. Industrial Adviser (Mechanical and Instrumentation Technology)	1	1,800—2,000
4. Director (Plastics and Rubber)	1	1,100—1,800
5. Director (Insecticides and Pesticides)	1	1,000—1,800
6. Director (Electrical)	1	1,100—1,800
7. Director (Electronics)	1	1,100—1,800

small industry policy matters there has hardly been any systematic attempt at policy and programmes planning for the entire small industries sector. The Group feel that it is absolutely necessary to create the post of an Industrial Adviser (Planning and Research) for the organisation of the Development Commissioner to give major attention to the undertaking of special functional and topical studies needed for policy guidance and for making recommendations for formulating Small Industries Programmes along lines that are most likely to realize the Potentialities of small industries development in the prevailing situation. The Group are glad to note that an evaluation Cell has already been created at the headquarters of the organisation of the DC (SSI) on the basis of the recommendation of the Estimates Committee (1965-66), made in their 105th Report, page 18, and would recommend that the cell should be placed under the Industrial Adviser (Planning and Research) for continuous evaluation of programme effectiveness.

It has already been mentioned that the edge of the technical service has been somewhat blunted by the failure of the DCSSIO to provide expertise of the required levels in such growth industries. The Small Scale Sector which has been able to diversify into new and sophisticated lines of production are not getting the required assistance in the form of technical advice and guidance from the Small Industries Service Instituted due to want of experts and subject matter specialists in these fields.

#### Private Panel Of Consultants

The Group is also convinced that a substantial

addition to the technical staff of the SISIs at the regional level is extremely necessary to render effective technical advisory service to small scale industries in the modern growth industries. The group are, however, of the opinion that the utilisation of private consultants and experts on a part-time basis is extremely desirable to improve the quality of the technical service provided by the Small Industries Service Institutes. It is recommended that provision of high level technical consultancy service on a regional basis should be arranged by establishing technical panels of part time consultants for various key industries, attached to the Small Industries. Service Institutes at Calcutta, Bombay, Madras and Delhi. These Institutes should establish rosters to contact consultants to supplement their own staff; and the personnel may be allowed to be drawn from large public and private undertakings, National Laboratories, retired technical experts, etc. The panel of consultants should render technical advice to the Institutes on payment of monthly retainer's fees and the Government should make it possible for experts attached to public sector undertakings and national laboratories to work as part-time consultants to the organisation of the Development Commissioner (SSI).

The Group also feel that it should be more and more the endeavour of the Government to stimulate interest in private corporate agencies, industrial co-operative societies, trade associations, etc., for the provision of technical services and facilities. These bodies which have not so far shown much willingness or initiative to offer technical services and facilities to small scale industries should be encouraged to undertake this task to an appreciable extent on the basis of a matching grant from the Government of India. Initially, Government may agree to finance the expenditure to be incurred by these agencies on a 50 : 50 basis, but the Central assistance may be gradually reduced from year to year with provision for being completely tapered off at the end of five years.

The suggested steps will help Government to minimise the expenditure on the provision of higher industrial extension service. The Group, however, think it absolutely necessary to strengthen the minimum supporting staff to render essential technical service in specialised trades with the help of a panel of consultants as indicated below :

- |  |   |
|--|---|
| 1. Deputy Director (Electronics)   | 4 |
| 2. Deputy Director (Electronics Engineering and Measuring Instruments)                               | 4 |
| 3. Deputy Director (Plastic Chemicals)   | 4 |
| 4. Deputy Director (Paper Conversion and Misc. Chemicals)  | 4 |
| 5. Deputy Director (Tool Room Specialists on Design and Production of Dies, Jigs and Fixtures, etc.) | 4 |

The Group feels that although a good deal of emphasis is being put on improving and standardising the quality of small industry products, very little effective help is being rendered by way of providing adequate facilities for the testing of raw materials and finished products. It is, therefore, necessary that one of the basic handicaps in the improvement of small industry products be removed by developing the SISI workshops and laboratories at Calcutta, Bombay, Delhi and Madras into full-fledged regional testing centre to the needs of mechanical, electrical, metallurgical and chemical industries.

It has been estimated that a sum of Rs. 25 lakhs would be required to equip each of these regional testing centres with adequate machinery, tools and laboratory equipment. Each testing centre should be in charge of a Director who should be assisted by supporting technical staff. The staffing pattern for each centre should be as follows :

Director	1
Deputy Director	1
Asst. Director	1
Scientific Officer	4
Laboratory Assistants	2

The Group also recommend that in addition to the Regional Testing laboratories at Bombay, Madras, Delhi and Calcutta, the organisation of the Development Commissioner (SSI) should set up process and product development centres-cum-testing laboratories in trades like rubber, plastics, electrical appliances, making of tools and dies, pressure die castings, etc., at appropriate places like Kanpur, Ludhiana, Hyderabad, Ahmedabad, Asansol, etc. keeping in view the requirement of the particular area. These centres may be constituted by pooling the existing resources and staff from the different extension centres and institutes and supplementing these by critical equipment which will be necessary to help the centres function as full-fledged development-cum-testing centres. The objectives of such centres will be as follows :

- (i) To solve the operational problems of the small scale units' brought back by the field staff;
- (ii) To disseminate information regarding the latest development in the manufacturing lines;
- (iii) To develop new processes and products to encourage the setting up of new units;
- (iv) To evolve appropriate technology suited to particular demand and resource situation, to test the products of small scale enterprises.

The Group further recommend that the test certificates to be issued by the regional testing centres and the above-mentioned process and product development

centres should be treated at par with those issued by the other approved laboratories in the country, not only by the Expert Promotion, Council but also by the Directorate of Inspection of the DGS & D and another Government purchase agencies. The certificates should not be given free and the service should be charged for, but the scale of fees should be determined, with due regard to the capacity of the small scale sector, to pay these fees.

#### Charging Of Fees

The Group deem it necessary to have fresh thinking over the whole question of imposition of fees for all types of services rendered by the organisation of the Development Commissioner (SSI) including techno-managerial consultancy service. The rendering of extension service has gone on too long on a completely gratuitous basis and it is high time to change the practice. The imposition of service fees is the best way to ascertain the true value of the services and to discriminate in favour of those who have a real need for such help. This will also prevent the extension personnel from becoming bureaucratic and less service minded by getting enlarged in routine work of administrative nature and help identify programmes that do not have sufficient demand to justify their continuance.

The Group, therefore, feel that all types of services should be progressively charged for, the scale of fees being adjusted according to the quality or level of expertise needed and the time required to be spent on the provision of the service. The fees, however, need not in all cases cover the entire cost. An element of subsidy may be allowed at the initial stage in fixing the scale of fees. It may also be desirable to make an exemption in the case of units located in depressed and backward areas but this pre-supposes that the delineation of such areas will have to be undertaken in advance by the State Directors of Industries. Since the cost of provision of extension service will increase substantially due to the need for recruiting top level experts in specialised trades and provision of sophisticated machinery and equipment in the process and development centres, it will be entirely appropriate to recoup at least a part of the expense through the imposition of service fees on all important types of service rendered by the DCSSI.

The Group would like to draw attention to the fact that at present the responsibility for the development of industries like electronics, petro-chemicals and related industries fruit preservation, etc. vests in different Ministries which are also determining the policy for the development of such industries. Although several Ministries are concerned with the development of

industries, the organisation of the Development of industries, the organisation of the Development Commissioner, Small Scale Industries, is the only agency at the national level, responsible for the co-ordination of programmes for the development of small scale sector of these industries. There has, however, been a tendency on the part of some of the Ministries concerned to work in isolation without taking the Development Commissioner, Small Scale Industries, into consultation in the formulation of policies and programmes for the development of the industries in question.

The Group would, therefore, suggest that the Union Ministries concerned with the development of specific industries should work in close collaboration with the organisation of the Development Commissioner, Small Scale Industries, for the coordinated development of the large and small sectors of these industries.

The Group feels that the question of status, of the Development Commissioner, Small Scale Industries, is of crucial importance in relation to the functions that he has to discharge, particularly in respect of effecting co-ordination between different Ministries of the Union Government and with different State Governments. The Group would, therefore, strongly suggest that the Development Commissioner, should be of the minimum status of that of Joint Secretary to Government of India to enable him to perform his duties efficiently in regard to the development of small scale industries. The grant of the status of Joint Secretary will not only enable the Development Commissioner to speak with greater authority and to make his weight felt in all matters having a bearing on the development of small scale industries, but also enable him to deal directly with all issues and questions which are disposed of by the Ministry at the Joint Secretary's level, without having to make a reference to the Ministry again. The Group also feels that the raising of the status of the Post, to that of a Joint Secretary would make it unnecessary to allot a separate Joint Secretary to deal with small industry questions in the Ministry.

In fact the State Directors of Industries lack technical personnel to discharge their functions efficiently and the tendency to regard the Small Industries Service Institutes as their technical wings for all purposes has left them extremely ill-equipped in terms of technical personnel to effectively deal with the needs and problems of small scale industries. In spite of the constitutional responsibility of the State Governments in the matter of the small industries development, the existing set-up in the States is not at all conducive to the realization of this objective.

It will be pertinent to point out that there have been great disparities in the levels of development of small scale industries in different State due primarily to widely

varying degrees of attention, drive and initiative put in by the State Governments. Excepting a few States like Madras, Punjab and Maharashtra, the progress of the small scale sectors was very unsatisfactory in other States. The fact that the priority accorded to the small industries sector was allowed to diminish steadily over the Successive Plan Periods in a vast majority of the States was a reflection on the lack of appropriation and awareness in these States of the role and significance of small scale industries in the national economy. The performance in Bihar, Rajasthan, Orissa, Mysore, Uttar Pradesh, Assam and West Bengal has been very disappointing. Even at present the main emphasis in the Small Industries Programme is being put on the issue of Permits and certificates and the largest proportion of the time of the staff is spent on regulatory duties. The Industries Directorates are not fully aware of the difficulties and problems facing the small scale industries and are hardly in a position to provide the integrated leadership at the State level which is necessary to give the required thrust to the development of small scale industries.

The Central Government's role in small industries development has to be limited to formulation of policy co-ordination of programmes, launching of promotional activities and provision of higher technical assistance which cannot be organised conveniently by the State Governments. It has to perform catalytic action to stimulate and assist the States and other agencies to build up the small industries movement. But the State Directorates of Industries must be the 'central force' at the State level in developing and building up the small industries sector in all other agencies like the Organisation of the DCSSIO, NSIC, the State Bank of India, etc., would be instrumental and helpful, but infrastructures have to be provided by the States to prepare the base to receive and utilise these aids.

State Industries Directorates should take up periodical review of the status of small scale industries and their problems, arrange conferences, evolve appropriate strategy at the State level for the development of small scale industries, formulate programmes which will have the maximum impact and assume a dynamic role to accelerate the development of small scale industries.

In connection with the development of small scale industries in smaller towns and villages, formulation of integrated plans of development of the industrial centres in co-operation with all developmental departments concerned with the provision of economic and community facilities, e.g. the P.W.D., Public Health Engineering, Electricity, Medical and Education Departments, etc., should also be the primary responsibility of the State Directorates of Industries.

As already recommended by the Group, the organi-



sation of the Development Commissioner (SSI) should disengage itself from activities that it has effectively demonstrated over a number of years and the provision of technical services in regard to the basic trades should be carried forward by the State Governments. This will not only make it possible to avoid any duplication of efforts in specific fields between the Central and State Governments, but also leave the Central Organisation free to build up programmes for giving higher technical expertise and guidance in respect of new and sophisticated industrial fields.

The Group would strongly recommend that the State Directorates of Industries should be strengthened by the addition of competent technical officers to carry on the promotional activities and arrangements should be made on a high priority basis for the training and retraining of the existing personnel to make them temperamentally and professionally suitable for implementing the small industries development programme in the States. Maximum use should be made of the small Industry Extension Training Institute for training the existing personnel for the successful operation of the *small industries programmes at the State level*.

It should be the responsibility of the State Directorates of Industries to handle registration, collection of key statistics from small scale units and undertaking local economic surveys. The States should, however, perform these duties in accordance with the overall scheme approved by the organisation of the Development Commissioner (SSI) in order to ensure uniformity and comparability of data, but the primary responsibility for discharging these functions should be that of the State Governments. It will, however be necessary to strengthen the State Directorates adequately for the proper performance of their duties in this behalf.

The Group feels that the industrial development in each State should be viewed in a long-term perspective and, as such, continuance of policies and programmes is very important. It may be mentioned that some States have formulated their small industry policy in detail and this has helped in clarifying the objectives and priorities of the programme to the Staff of the Directorates of Industries.

The Group would suggest that each State Directorate of Industries should set up a Planning Cell to assist not only in the formulation of policy and programme but also in its evaluation. This cell will also help in laying down priorities in terms of policy objectives and watch over the process in achieving these objectives. Although a few States have taken steps in this direction, it is considered imperative that all State Directorates of Industries should be asked to set up such a cell which will be also helpful in co-ordinating the work of the District Industries Officers and in

maintaining close liaison with the Organisation of the Development Commissioner, (SSI).

In the view of the Group, the machinery already evolved for effecting co-ordination should be adequate but it appears that there is considerable room for improvement in the existing arrangements for co-ordination. In this connection the Group would like to invite a reference to the Conclusions of the Estimates Committee (1965-66) regarding the working of the present machinery for co-ordination, as given below :

The Committee regret that the Advisory Committees attached to the Small Industries Services Institutes have so far failed to make the expected impact on small scale industries even though these can go a long way towards ensuring the necessary co-ordination between the various Central and State agencies for the development of small scale industries. They hope that the Advisory Committees would be energised.

The Committee urge that each Advisory Committee should meet at least once in three months and more often if necessary, should watch and ensure the implementation of the decisions reached at each meeting.

*The proceedings of the Advisory Committee and the action taken thereon should be regularly submitted to the headquarters of the Central Small Industries Organisation which should collate the experience of the various States and provide necessary guidance. The Committee suggest that the Development Commission may review the working of these Advisory Committees with special reference to action taken by State Governments on their recommendations at his periodical meetings with the Director of Industries of the State concerned.*

"The Committee would also like to suggest that the Advisory Committees should be strengthened by getting into them representatives of the State Bank, Commercial Banks and State Productivity Councils, and a few more small industries."

The Group endorse the view of the Estimate Committees that the functioning of the State Advisory Committee leaves considerable room for improvement and would like to suggest that the Secretary of the Industries Department in the State Government should be nominated as the Chairman of the Advisory Committee in each State to make the co-ordination of the activities and Programmes of the Central and State agencies more effective in future.

Although State Governments are primarily responsible for the development of small scale industries, in the opinion of the Group the Central Co-ordinating Agency (DCSSIO) should be in position to initiate corrective action in the case of pronounced failure on the part of any State Government to implement approved programmes or to fulfil the planned targets.

The Development Commissioner (SSI) cannot be divested of the responsibility of exercising a measure of supervisory and co-ordinating authority over the States and to see that the programmes are realistic and practical and are in fact implemented by the States.

The Group is definitely of the view that the DCSSIO should undertake periodical evaluation of the various programmes and their implementation by the State Government, not only to be able to modify them from time to time in consultation with the concerned States, but also to induce the State Governments to take timely action to secure compliance with the agreed policies and objectives. The Group, however, think that the problems of co-ordination between the Centre and State agencies will be reduced significantly, if the programmes and targets as well as the allocation of Central assistance to the States are determined in close consultation with the Development Commissioner (SSI), based on a sound appraisal of the needs as well as potentialities of each State.

In the opinion of the Group the NSIC should function mainly as a commercial organisation although in the performance of some of its activities, it may have a promotional bias to give a fillip to the development of small scale industries. The experience of the past 10 or 12 years has also shown that some of the activities assigned to the corporation do not fit with the main objectives for which the NSIC was started. The Group feel that assignments of activities relating to the running of Production-cum-Training Centres and construction and management of Industrial Estates do not conform to the main objectives of programme of work of the corporation. They strongly feel that there should be re-thinking on the objectives of the corporation and such non-conforming activities as the running of Industrial Estates, P.T.Cs., Training Programmes, which are mainly of a promotional nature, should not form a part of the NSIC activities. The main functions of the corporation should be clearly spelt out and according to the Group, they should be limited to the following :

- (i) Supply of Machinery on Hire Purchase.
- (ii) Procurement and execution of orders relating to Government Stores Purchase.
- (iii) Marketing and distribution of Small Industry Products.

Activities indicated against serials (ii) and (iii) above, are of related nature, but they have been mentioned separately from the functional point of view. In the procurement and execution of Government orders, the accent will be on the canalisation of Government purchase to the small scale sector to ensure that a substantial proportion of the Government purchases are made from the small scale industries. The marketing

and distribution of small industry products will help fulfil the original objectives for which the NSIC was brought into being, namely, promotion of scale of small industry products through internal marketing and exports. The Group feels that there being several organisations like Export Promotion Councils, the State Trading Corporation, etc., to look after the export market, the real service which can be rendered by the NSIC to small industries is in the field of internal distribution of the products of small industries. The Corporation can render considerable help to accelerate the development of small industries through proper marketing of their finished goods. Until the recession set in, the economy was ruled by the seller's market and the small scale industries were not faced with any serious problem in the disposal of their products at a reasonable profit. The current recession has, however, underlined the need for giving marketing help to accelerate the tempo of development of small scale industries.

The Group would like to emphasize in this connection that the role of the NSIC in marketing the products of small scale producers will be somewhat different from that of the marketing organisation in the private sector. A private organisation would not normally take over the role of building up a supplier. This role of building up a supplier and creating a market is partly commercial and partly promotional and should be undertaken by an organisation like the NSIC which has been set up for small business promotion in the country. The Group is aware that in the very nature of things, the marketing service of the type envisaged cannot be a profit earning proposition from the beginning and would suggest that financial deficits which might be unavoidable in this type of activity in the initial stages may have to be made good by the Government for a reasonable period.

The Group feels that the corporation has been considerably handicapped in its activities due to lack of resources. With the paid-up capital of only Rs. 50 lakhs and loans and credits exceeding Rs. 17 crores, the financial position of the Corporation leaves much to be desired. The Group have been given to understand that the Government are willing to convert a portion of their loans into capital assets to raise the paid up capital to about Rs. 3-1/2 crores, but the existing commitments of the Corporation in respect of hire-purchase activities would hardly leave any margin for other activities inspite of the proposed increase in the paid up capital.

The Group would, therefore, strongly urge that the financial position of the Corporation should be put on a sound footing by augmenting its resources in keeping with its objectives and the importance which is attached

to the rendering of marketing assistance to small scale industries in the country.

The Group are also of the opinion that the corporation should be divested of the responsibility of running the PTCs. The administration and management of these Centres should be placed in charge of a separate Central body to be constituted for the purpose. The management of Industrial Estate at Naini should also be handed over to the State Government as early as possible to enable the corporation to concentrate their efforts on the important fields of their activity, as suggested previously.

The Group feel that the importance of Small Industries Corporation in the matter of procurement and distribution of scarce and critical raw materials will not diminish to any appreciable extent and therefore, welcome the recent decision to canalise the supply of scarce categories of indigenous steel controlled by the Joint Plan Committee through the State Small Industries Corporations by canalising the distribution of scarce and critical raw materials through them so that they can have an effective role in safeguarding the interests of small consumers.

To strengthen the hands of the State Small Industries Corporations, as a raw material bank for the small scale industries and to improve the economic viability of their transactions, it is necessary to ensure sufficient sales turnover and the Group would like to recommend that the distribution of imported non-ferrous metals should also be entrusted to the State Corporations. Further, the State Corporations should form a consortium which will pool the requirements of non-ferrous, scarce and imported materials in the various States with a view to placing bulk orders on the foreign suppliers to secure the advantage of lower quotations. The State Trading Corporations and the Minerals and Metals Trading Corporation should also appoint them as their business associates for the import of canalised items under the Trade Plan Provisions.

The Group feel that the State Corporations, by and large, have not taken an active interest in the procurement of Government orders for the small scale industries. One reason, of course, that they are not properly equipped and staffed to render assistance to small units in the matter of compliance with drawings and specifications. Having regard to the importance of the Government Stores Purchase Scheme on furthering the development of small scale industries the Group would suggest that the Small Industries Corporations without exception should participate on the Government Stores Purchase Programme at the Centre and in the States. It should be possible for the Corporations to realize a token service charge from the participating units to cover the establishment expenses needed for the pro-

vision of effective service to them. The State Governments also may agree to reimburse the deficits incurred by the State Small Industries Corporations in the operation of the Schemes.

The Group feel that in view of the facilities offered by the NSIC, State Bank of India and also the established manufacturers of machinery regarding supply of machinery on hire-purchase terms, the State Small Industries Corporation should give relatively low priority to this activity and generally restrict their scheme to the supply of indigenous machinery to rural and semi-urban areas. This will ensure a better spatial distribution of resources and help extend the benefit to less industrialised parts of the State.

The Group feel that participation in equity capital is an effective method of small industry promotion, particularly in backward areas, but the terms of participation should be carefully laid down. In any case the extent of participation in equity capital should not be above 50 per cent to ensure that the small entrepreneurs have a substantial stake in the business. However, each Corporation should try to extend its activity in behalf according to its resource in terms of personnel and finance as it will be necessary to exercise managerial control and supervision over the assisted units.

While the management of existing units may be undertaken by the State Corporations at the request of the State Governments concerned, even this should be done for a limited period only. The Group feels that the corporations should not in principle own or manage any unit except as a promotional measure in backward areas where entrepreneurs may be reluctant to start industries. Complaints have been received that the State Corporations are entering into competition with the small industrialists by participating directly in industries ventures and are also seeking preferential treatment from the State Government in the matter of Government purchases. The Group would strongly suggest that this activity should not be undertaken by the Corporations except in very special circumstances, and even so it will be the endeavour of the corporation to hand over these ventures either to the co-operatives of the workers or to private entrepreneurs who may come forward to run the enterprise on their own.

The Group would like to emphasize that although the State Small Industries Corporations have been set up to promote the growth of small scale industries, they have mainly to undertake commercial operations and have very often to compete with various agencies in the private sector. It is, therefore, very necessary that the person holding the key post of Chairman of the Corporation should not only be conversant with commercial and business practices but also be

experienced in dealing with the public. It is as necessary to project "a satisfying performance of function". The Group feels that the Chairman of the Board of Directors of State Corporation should be a prominent person conversant with problems of small scale industries and with wide knowledge of industrial and economic development. The Managing Director should be selected in consultation with the Chairman from among persons with adequate experience in trade, banking or industry. In the case of deputation of a Government officer to hold either of the posts, the period of deputation should not be less than three years and not more than five years.

The Group also feels that the State Government should provide adequate funds to the State Small Industries Corporations for the discharge of various functions allotted to them to accelerate the development of small industries. Deficits incurred by the Corporation in the operation of schemes of promotional nature, as distinct from commercial activities, should be subsidised by the State Government.

The Group would like to mention that training is the primary objective of SIFT Institute and research studies are needed to give faculty experience, maturity and confidence for training and for service. It will be basically wrong to give exaggerated importance to the research function so as to introduce a research bias in the whole programme of the Institute to the detriment of the training and service function.

In the opinion of the Group, the SIFT Institute should be developed as a full-fledged Institute for the extension personnel in the Small Scale Sector. Its programme should be enlarged and intensified so as to include training of personnel from the DCSSIO and the State Governments in areas or subjects which will be directly relevant to the sphere of their duties. The Institute should also arrange training of trainers from Small Industries Associations which offer to organise their own training courses, provide specialised courses in different branches of management; and arrange training seminars for senior administrators of the Industrial Development Programme at the Central and State level. The Group regrets to note the lack of necessary collaborative and co-ordinating spirit between the SIETI and the DC (SSI).

The Group feels that there should be intimate discussion and collaboration between the Institute, DCSSIO and the State Governments to determine the course content, method and techniques of teaching to ensure participation of the Central and State Governments in the training programme of the Institute on a regular and continuing basis. The research programme of the Institute should be ancillary to the training programme and should be undertaken mainly to draw

up case material for improving the course content and refining the teaching methods. The study of applied research problems relating to small industries should also receive attention. But profit earning should not be any motive of a training institute.

There is an urgent need to pool the vast amount of technological knowledge and information that is already available with the DCSSIO and the CSIR and also arrange for the collection and compilation of results of technical research in different countries of the world. Such factual information for studying new techniques and new processes and their applications in improving quality and designs of industrial consumer products will be of great help in evolving appropriate technology for small scale industries. The SIFT Institute should be responsible for pooling together, analysing and transmitting to the ultimate users the vast amount of scientific and technical information which is available in the country and outside.

The Group would suggest that a Small Industries Technical Documentation and Communication Centre should be set up by the Institute on a priority basis. The emphasis in the working of the centre should be on the prompt compilation of the results of latest research in the field and laboratories and transmission of technologically useful information to industrial extension personnel and small scale industries.

Next to the Governing Council and perhaps more than the Council, the Principal Director is the key person in the administration and management of the Institute and it would be no exaggeration to say that the efficiency and impact of the Institute would depend in a great measure on the energy, initiative and imagination he can bring to bear on the programme and activities of the Institute.

The Group strongly feel that the Principal Director should be carefully selected from among persons who are emotionally involved in the small industries programme and have long and varied experience in the field of small scale industries. The post should not be considered as a kind of refuge for officers who cannot be suitably placed elsewhere. The Group would also like to point out that in a short period of six years the Institute has had four persons as Principal Directors and it is not desirable to make frequent changes in the Principal Directorship as the incumbent must have time to implement his ideas and make an impact on the programme and working of the Institute.

The General Body of the Governing Council of the Institute provides the necessary leadership and coordination at the national level, but the real leadership and continuous guidance can come only from the main executive of the Government responsible for the planning, direction and co-ordination of the small industries

programme in the entire country, i.e. the Development Commissioner, Small Scale Industries. Therefore, to ensure close liaison between the Institute and the DC (SSI), he was initially made the Chairman of the Governing Council, it is regretted that subsequently this was changed. The result has been extremely unfortunate, nay disastrous. The relations with the DC (SSI) are very strained at present and the internal administration of the Institute is almost on the verge of collapse. The Group have no hesitation to say that the Development Commissioner (SSI) should again be made the Chairman of the Governing Council of the Institute to ensure close co-ordination between the most important organ of the Government for the development of small scale industries in the Country, i.e. the organisation of the DC (SSI) and the main agency for the training of the extension personnel concerned with the operation of the Small Industries Programme, i.e. the SIETI.

The Group feel that the Principal Director should have frequent contact with the State Directors of Industries and Small Industries Service Institutes besides being in the closest touch with the Development Commissioner to be able to cater to the training needs and requirements of the main clients and to modify and adopt the training courses to be of maximum usefulness to the clients.

The Institute should also take steps to hold seminars in industrial estates to interest the small scale tenant units in the training courses and also to evolve short term courses suited to the requirement of small plant owners in areas or fields which will be of considerable benefit to them.

At present there is almost complete lack of collaboration between the Principal Directors and the Faculty Members and this has led to a total collapse of the internal administration. The Group feels that there is need for intimate interaction and frequent consultation between the Principal Director and the Faculty Members and that a system of weekly discussion with all Faculty Members should be introduced by the Principal Director to keep a running check on the progress of training courses and also to secure a substantial measure of functional and emotional integration among the faculty members of the Institute.

The teaching faculty should generally consist of persons drawn from the fields with active experience of work in the promotion of small industries and it would be desirable to rotate the Faculty Members between teaching and promotional jobs so as to give the desired practical bias to their training activities and teaching methods. The Group also feels that senior officers of the State Directorate and the DCSSIO should be invited as 'guest speakers' to help the SIET Institute in running

training programmes on practical lines.

The recruiting programme of faculty members should be reviewed to secure talent maturity and practical experience. It may be necessary to allow higher pay in the present scales to attract qualified and experienced people.

It has been found that the training activity has suffered consequent on the deployment of faculty members on research programmes. The Groups are of the view that the teaching faculty members employed on research work should be substituted as early as possible to ensure that there is no set-back to the training programme on account of deployment of staff on research projects.

The Group feels that top level international consultants who have acquired eminence in the discipline in question may be drawn to the Institute for a period of three to four months, as collaboration with such consultants will help up-grade the skill and expertise of the India faculty. It will, therefore, be desirable to utilise foreign grants to have a small group of foreign consultants to associate with the Indian faculty members of the Institute in specialised fields.

The Groups are also of the opinion that the proper conduct of international courses requires careful planning and preparation. As a preliminary to these courses, the Institute's library should be well equipped with adequate material about various developing countries. The training material also needs to be prepared and documented carefully before the commencement of the courses in an institutional hostel and separate training wing with suitable seminar room. The Group would suggest that necessary funds should be made available to the Institute to enable it to maintain the international standard of facilities which are absolutely indispensable for such courses.

The Group feels that the annual grant to the Institute of Rs. 12 lakhs should be adequately increased to enable the Institute to up-grade training facilities and to undertake research projects for building up teaching material without being forced to the small industry programme, but may yield a sizeable income. The Group would discourage the idea of making the Institute even partially self-paying, as a training institute, should not generally be meant so.

Knowledge and expertise of the faculty of the Institute should be continuously upgraded through re-training in India and abroad. It is suggested that the faculty members should be sent for foreign training in batches of 3 to 4 every year and the Ford Foundation grants which are offered for such training should be availed of to meet the expenses in regard to foreign training of the faculty members of the Institute.

The State Financial Corporations have developed a

preference for investing their funds in the medium scale units and the bigger among the small scale units, with the result the really small units, which needs institutional credit most, are left to fend for themselves or take recourse to hundi system at an exorbitant rate of interest.

The Working Group is definitely of the opinion that the flow of institutional finance to the small scale sector should be enhanced to cover bulk of the requirements of the small scale producer for different types of credits and that the small scale sector should get its proper share of the industrial credits, more or less in proportion to its contribution to the industrial production, employment and in keeping with its role in the national economy.

The social control over banks should be so exercised as to yield concrete results in favour of small scale industry sector in the form of easier availability of credit through greater reliance on the techno-managerial competence and viability of the units. The credit policy should be operated with a bias in favour of the small man who may not be considered satisfactory banking risk in the conventional sense but is otherwise sound from the techno-managerial point of view.

The Organisation of the Development Commissioner and also the Small Industries Associations should put in a special effort of convince the small industrialist about the need and importance of adopting modern accounting method so as to be able to give facts and figures regarding their credit-worthiness for the satisfaction on the lending institutions.

A suitable machinery should be set up at the State level to ensure effective co-ordination among the different financing agencies so as to avoid duplication and overlapping, and to provide the credit requirements of small scale units on an integrated basis. Such a co-ordinating body should have representation not only from the small industries sector, the State Directors of Industries, the Reserve Bank of India and the Chairman of the Organisation should preferably go to the Director of Industries as the State Government is to function as the 'Central driving force' in the development of small scale industries within the State.

It is necessary to encourage the provision of equity capital by financing institutions to educate technically qualified young entrepreneurs as well as experienced technicians, subject to techno-economic feasibility of their schemes. The Reserve Bank should consider provision of additional guarantees to induce financing institutions to advance loans by way of equity capital to help a large number of prospective entrepreneurs set up small scale industries in new and sophisticated lines. The concept of the equity and what constitutes the debt-equity ratio will have to be given a new dimension

in terms of a positive policy of promotion of small scale industries.

Block loans under the State Aid to Industries Act may be utilised by the departmental officers to finance artisans and small units in villages and small towns provided the amount of loan does not exceed Rs. 10,000. All loans under the Act in excess of Rs. 10,000 should be institutionalised and canalised through the S.F.Cs. who should make advances to small industrialists under the Act out of their own funds. The difference in the rate of interest as charged by the 'S.F.C.' on such loans and their usual lending rate should be subsidised by the State Government.

It is to found that contribution of the working fund of the State Financial Corporations by the State Government is to the extent of 6 to 7 per cent and that by the Reserve Bank of India and the Industrial development Bank of India (IDBI) is 20 to 23 per cent and 30 to 33 per cent respectively. The contribution of Life Insurance Corporation, Co-operative Banks and individual amounted to 35 to 38 per cent. Internal resources from plough back of profit accounted for about 2 per cent of the working funds. It is absolutely necessary to augment the resources of the S.F.Cs. by enhanced capital and loan contribution from the State Governments, Subscriptions to capital and bonds from LIC, General Insurance Companies, Co-operative Banks, State Bank of India, Reserve Bank of India and IDBI liberal refinancing and underwriting of debentures of the S.F.Cs. by Industrial Development Bank. The refinancing by the IDBI should be automatic when credit guarantee is obtained.

The State Bank of India should adopt a bolder credit policy towards small industries by allowing higher credit limits and reducing the margins retained by them so as to accelerate the flow of credit to small scale units. The whole question of margins should be reviewed in the interest of the rapid development of the small scale sector as the retention of high margin has been acting as a damper on small scale industrialists eagerness to get financial accommodation from the State Bank of India.

The State Bank of India should encourage the grant of 'factory' type loans for working capital on a more liberal basis and also allow clean advances to clients with good records about loan repayment and operational performance. The smaller units who are without regular books of accounts but who have established their competence in the production and marketing of their goods should be covered by the State Bank of India under their liberalised scheme and should be encouraged to apply for credit limits from the Bank. The Organisation of the Development Commissioner, Small Scale Industries, should make special efforts

to train them in book-keeping according to a simplified system.

Hitherto the institutional credit has gone to relatively big and better organised units and also to conventional industries. The smaller units numbering 1.5 lakhs, which numerically and otherwise form a 'corpus' of the sector are as yet out side the pale of institutional finance. It is absolutely necessary to extend the benefit of the liberalised credit scheme to such units to wear them away from non-institutional sources which are advancing loans to them at exorbitant rates of interest.

The State Bank of India should arrange for the training of their Branch Officers and Staff in the Small Industry Extension Training Institute to give them proper orientation for the implementation of the new credit policy as the staff, attitude or prejudice is an important drawback tending to neutralise the effect of the liberalised credit policy.

The instalment credit granted by the State Bank of India should be simplified further and the margin may be brought down to 20 per cent from the usual 30 per cent. The period of the loans under the scheme may be extended from the present limit of 5 years to that of 10 years in the case of loans exceeding Rs. 50,000.

The Commercial Banks need radical change in their outlook and attitude to the grant of loans to small scale units. The Reserve Bank of India may call for periodical returns showing the loans to small scale industries by specified categories of industries and also by size of the applicants' investment in fixed assets.

It is estimated that the Commercial Banks will have to make about Rs. 300 crores available to the small scale sector by way of loans to meet their working capital needs by the end of the Fourth Plan period. The Reserve Bank of India may consider incentives to be offered to the Commercial Banks for giving loans to small scale units on the same basis as the State Bank of India under their liberalised scheme.

While the Indian Banks Association may set up regional agencies for giving expert help to the commercial banks to prepare technical assessment reports on the applications for loans, the important commercial banks should set up their own technical wings at least at their local head offices to expedite the processing of loan applications.

It is felt that the discrimination shown against the weaker section of the small scale sector in the matter of institutional finance because of certain built in deficiencies cannot be easily overcome even in the context of substantial liberalisation of the credit policy under the new social control scheme. Since this segment of

industries is in the aggregate a very important sector from the point of view of its contribution of both employment and production, necessary measures would have to be adopted to see that it is not starved for want of finance as at present. The Reserve Bank of India and the Ministry of Finance may give their anxious consideration to the desirability of adopting special measures to help this segment of the small scale sector which suffers from certain inherent disabilities, if the operation of the new policy of social control over the bank assistance fails to improve the supply of institutional credit to these enterprises. These units not only have to secure loans from non-institutional sources at an exorbitant rates of interest but often have to mortgage their products to the lenders at a lower price than what they would fetch in the market. The Group feel that this type of exploitation of the weaker sector by the money-lender should not be allowed to continue.

The Group feels that in order to substantially augment the supply of credit to the Small Scale Sector in future, it would be desirable for the Government to examine the feasibility of allowing such State level institutions as the State Small Industries Corporations to take up direct financing of small industries.

The Group feels that the present classifications which discriminates against the Small Scale Sector should be reviewed with a view to bringing some of the important small scale industries within the priority group in view of their importance in terms of contribution to employment and output of the industrial sector in the country. The Group would, therefore, suggest that such important small scale industries as plastic conversion products, dyestuff, clocks, time-pieces, wire drawing, both ferrous and non-ferrous, etc. Although it is true that the plastic conversion industry is likely to become self-sufficient in the matter of supply of basic raw material from indigenous sources, it will be of considerable help to the industry to tide over the prevailing shortage of such materials as high density polythene granules, which is likely to continue for quite sometime.

The Group feel that the present discrimination in the matter of classification of ancillaries (with two exceptions only) as non-priority is acting as a handicap to the growth of the ancillary industries sector and there is every justification for such units getting import assistance in line with those in the priority category. In order to do away with the administrative difficulties with regard to the classification of ancillary industries the Director of Industries or the Director of the Small Industries Service Institute may be required to issue a certificate to deserving ancillary industries for according the priority treatment in respect of import assistance.

The Group has been given to understand that Industries which are covered under the Industries (Development and Regulation) Act, 1951, can diversify their production by manufacturing new items that fall under the list of priority industries and for that purpose additional imported raw materials would be granted to them. The Group have been told that the aforesaid relaxation does not apply to industries in the small scale sector as such industries do not get covered under the Industries (Development and Regulation) Act, 1951. The Group feels that a number of small scale units in the non-priority sector could be induced to diversify their production by manufacturing items classified in the priority list, if liberal import facilities are made available to them as is being done in the case of their counterparts in the large scale sector. At present there is no scheme under which a small scale unit can avail of additional import of raw materials by diversifying its production. The Group would, therefore, suggest that the above relaxation should also be extended to small scale industries to the extent to which it is applicable to units covered under the Industries (Development and Regulation) Act, 1951.

The Group are of the opinion that where the MMTC have not been able to effect physical deliver of the material within three months against the release orders issued on them, such release order (s) should be automatically converted into import licence (s) and the actual users should be allowed to import direct.

This arrangement to safeguard the interest of small scale industries has not produced the desired result, as there are long delays in processing of indents from small scale sector and supplies against orders passed by the Steel Priority Committee and as such, the agreement to accord priority to the needs of the sector has remained mostly on paper. The Group feels that in processing the indents, the Joint Committee should keep in view the special interests of the small scale sector in future and help expedite decisions without any under time-lag.

The Group is of the opinion to start with at least 15 per cent of the indigenous production of E.C. Grade Aluminium should be reserved for the Small Scale Sector for distribution on the recommendation of the Director of Industries of the State concerned. Alternatively, the Ministry of Steel, Mines and Metals, Department of Mines and Metals should work regular and adequate supplies of the material at reasonable price to the small scale industries.

The Group would, therefore, suggest that the Department of Mines and Metals and the Director, General of Technical Development should consider the desirability of equalisation of the prices of the indigenous and imported materials, as was done earlier in the case of steel. The Group would also like to em-

phasize need for bringing down the price of indigenous zinc to make it competitive with the imported zinc.

The Group would also like to endorse the suggestion made to them that the large scale processors of technical materials should not be allowed to engage in the manufacture of finished products themselves except for the use of captive capacity.

The Group feel that there is nothing wrong in exercising the powers vested in Government under the Act to direct scheduled industrial units (large scale processors) to make compulsorily available a portion of their production at reasonable prices for the use of the small scale sector, in view of the importance of maintaining production and employment at steadily increasing level.

The Groups are of the opinion that on the question of canalisation of import of raw materials for the Small Scale Sector, there should not be any discrimination between the large scale and small scale sector. So long as the large scale industries are allowed to import certain scarce items on individual basis directly instead of being subjected to canalisation through MMTC/STC, the same privilege should be extended to Small Scale Industries Corporation. Further, so long as the large scale units are allowed to import and negotiate price individually and so long as there is no single Price Negotiating Committee for the small scale units, the small scale units should also be allowed to negotiate on the same basis as the large scale units preferably on a collective basis. The Group would strongly recommend this course of action as it would strengthen the role of the State Small Industries Corporation in acting as the servicing agency for the small scale units in the matter of procurement of imported raw materials against import licences of small value granted to small scale applicants.

The Group regrets that the policy of the Government to canalise a substantial portion of the Government purchases to the small scale industries to give a fillip to the development of this section has been practically nullified by the manner in which the policy has been implemented. The tendency on the part of purchase officer to equate large units with small in the matter of Government purchases has had very unfortunate results from the point of view of small scale industries. The Group view with dismay the general failure of the Central Government Stores Purchase Policy and would urge the Government very strongly to lay down that the grant of price preference should be automatic, subject to the competence of the small scale unit to manufacture the item of stores according to the requirement of the indenting department. Since the small scale units are enlisted under the Government Stores Purchase Programme after their technical com-



petence has been assessed and certified by the Small Industries Service Institute, it should not be necessary for the purchasing department to go into the question of competence of the enlisted small scale units at the time of exercising the price preference in their favour.

The Purchasing Departments of the State Government also are not generally giving price preference of 15 per cent small scale units. The State Governments should issue executive orders to require the purchasing department under their control to give 15 per cent price preference to small scale units in respect of items manufactured by both large scale and small scale units, subject to the overall condition that the products have to be made according to the required specifications.

The Group are definitely of the view that this list is not of much value to modern small industries as the items mentioned in the list are largely products of traditional industries. The Group would, therefore, recommend that a high level committee should be set up with the representatives of the DGS & D, DGTD and DCSSI and of the Railway and Defence Department to review the whole question and to prepare a substantial list of items to be reserved for exclusive purchase from the small scale sector.

#### Re : Public Sector Undertakings

The Group feels that the large scale undertakings in the public sector should set an example in the development of the ancillary units, which can serve as stimuli to the private sector as well. All project reports of large scale undertakings in the public sector during the Fourth Plan should be closed with the Development Commissioner (Small Scale Industries) so that the manufacture of parts and components which are being made or can be made competently by the small scale sector are not provided for in the schemes, in order to create substantial scope for ancillary units to participate in the production of these components and accessories.

All undertakings in the public sector should set up ancillary industrial estates on the lines of the Hindustan Machine Tools Ltd., Bangalore.

In the existing public sector undertakings, a thorough scrutiny of parts and components required for each assembly must be made by competent technical persons with a view to determining what are the items that can be conveniently manufactured by ancillary units in and around the undertaking and also the items which can be framed out to be proposed ancillary units in the industrial estates.

It should be the primary responsibility of the public sector undertakings to provide technical assistance tooling and testing facilities to ancillary units as it will be ultimately economical and more convenient for the

undertakings to get the parts and components manufactured properly in the ancillary units in their vicinity. Scarce indigenous raw materials along with imported raw materials and components required to build the sub-assembly should be components by the undertakings to the small scale ancillary units as far as possible.

Since the uncertainty about the flow of orders on a regular and a continuing basis has been a great handicap in the development of ancillary units, it will be advantageous if long-term purchase arrangements are made by the public units to give them a sense of security and encourage them to develop new items.

#### Private Sector Undertakings

The Group strongly feels that in respect of all large scale undertakings licensable under the Industries (Development and Regulation) Act, it should be made an integral Part of the licensing procedure that any large scale unit applying for industrial licence will have to indicate clearly which are the parts and components and accessories to be sub-contracted to small ancillary units and the total value of such orders in a year.

There should be the closest co-operation and co-ordination between the DGTD and the DCSSIO in order to promote a healthy and co-ordinated development of both the small scale and large scale sectors of an industry. The Group feel that Government should fix a clear responsibility on the Licensing Committee also to ensure that wherever sub-contracting and ancillary production is feasible, the industrial licences to the large units should be granted after eliminating the scope for production of components and sub-assemblies which can be competently produced by the small scale units.

The licensing procedure must ensure that possibilities of the small scale sector are fully taken into account by the DGTD on the advice of the Development Commissioner (Small Scale Industries) in respect of each application for licence. It would, however, be futile to expect the Development Commissioner (Small Scale Industries) to make any worthwhile suggestion about the modification of the schemes of the large scale undertakings unless his organisation at the headquarter is reinforced by high level staff, as recommended earlier by the Group, to deal competently with the applications for industrial licences from the ancillary angle.

In order to put the scrutiny of applications for industrial licences on an objective basis, the Small Industries Service Institutes in each State should prepare a comprehensive list of small scale units capable of manufacturing components and parts relating to large scale undertakings and also make an assessment of the capacity already installed in these units for

manufacturing the same. This will not only enable the DCSSIO to base its objections to the grant of industrial licences to large scale undertakings on a realistic basis but also help each Small Industries Service Institute to function as a clearing house of information regarding the capacity available in the small scale sector for manufacturing different parts and components and establishing a link between demand for a particular component and the prospects of making the same in an ancillary unit. It would be necessary to organise the work of ancillary promotion in each SISI on a planned and systematic basis and to create a cell staffed by competent technical officers to pursue the matter intensively.

The ancillary wing in the DGTD which has the function of locating units produce components, parts and sub-assemblies for large scale units should work in close liaison with the office of the Development Commissioner (Small Scale Industries) in view of the necessity of making the Development Commissioner (Small Scale Industries) the 'central driving force' in the development of ancillary industries.

Absence of legal provisions in India to guide and regulate the development of small scale industries has not proved to be a source of strength. In fact, the non-implementation of Industrial Policy Resolution regarding strengthening of decentralised sector and integrated development of the large and small scale sector has been substantially due to want of laws to implement the objectives of Industrial Policy Resolution and the successive Five Year Plans. Although the Group have suggested re-formulation of Industrial Policy Resolution with Particular reference to the small industries sector, it is felt that a mere enunciation of a new policy will not produce the desired results.

The Group feels that the matter has to be gone into in depth and would, therefore, recommend the constitution of a special committee to go into the whole question covering all basic aspects of small industries development such as, sub-contracting, Government purchase, organisation and finance, with a view to framing suitable legislation for enactment by the Government.

## ADMINISTRATIVE REFORMS COMMISSION, WORKING GROUP ON CENTRAL DIRECT TAXES ADMINISTRATION, 1967—REPORT

New Delhi, Administrative Reforms Commission, 1968. 206p.

**Chairman :** Shri Mahavir Tyagi.

**Members :** Shri S.N. Dwivedy; Shri S.A.L. Narayana Row; Shri R.N. Jain.

**Secretary :** Shri V. Gauri Shanker.

### APPOINTMENT

The Working Group on Central Direct Taxes Administration was constituted by the Administrative Reforms Commission on August 9, 1967.

### TERMS OF REFERENCE

(i) The machinery for the assessment and collection of the Central Direct Taxes and make recommendations with a view to achieving greater speed in completion of assessments and collection of taxes and greater efficiency in tackling tax evasion;

(ii) The procedures which assesses and departmental

officers are required to comply with and suggest modifications thereof with a view to eliminating avoidable inconvenience to assesses and unproductive labour for the administration; and

(iii) Locate the situations in which needless complexities are created in the administration of the tax laws, and make suggestions for removing them.

### CONTENTS

Letter of Transmissal; Preface; Introduction; Speedy Disposal of Assessments; Problems of Arrears of Taxes; Simplification of Procedure With a View to Minimising Inconvenience to Assesses and Avoiding Unproductive Labour for the Administration; Needless Complexities in Tax Laws and Suggestions for Removing Them; Tax Evasion; Administration; Summary of Recommendations; Annexures from I to 15.

## RECOMMENDATIONS

### Speedy Disposal Of Assessments

The extent of arrear of assessments (which was about 23.46 lakhs as on 31-3-1967) presents a very dismal picture. However, on an analysis it is found that out of about 47.65 lakhs of assessments for disposal during the year 1966-67, nearly 42 lakhs of assessments related to small cases yielding a total revenue of about Rs. 20 crores. It is, therefore, necessary to rationalise the distribution of work and cut out in fructuous and unproductive work.

For cutting out unproductive work, raising of exemption limit is not favoured, as in a democratic society, every assessee must have a feeling of having contributed to the Exchequer. But personal allowances can be introduced and any hardship in small income cases can be relieved.

For disposal of small income cases a system of compounded levy can be introduced for marginal income from business.

In cases of income upto Rs. 10,000 the returns may be accepted straight away subject to a text-check of two per cent by the Income Tax Officer.

For incomes between Rs. 10,000 and 50,000, there should be a more elaborate check on a test percentage basis. The correctness of the return should be checked with reference to the assessee's wealth and quantitative reconciliation of stocks. Since, only a percentage of the assessments, are test-checked a revised form of certificate must be taken from the assessee stating that they are certifying the correctness of the income on penalty at perjury.

In cases of income above Rs. 50,000 there should be cent per cent check and all these cases must be got compulsorily audited by chartered accountants who would append a complete list of points which they have examined, along with the return of income. The more important of these cases should be assessed by the Inspecting Assistant Commissioner himself.

Assessments are delayed by frequent adjournments and more cases are adjourned by the Income-tax Officers than got adjourned by the assessee. In order to avoid adjournments, the Income-tax Officer should pre-study the cases and prepare a weekly or fortnightly list of cases for hearing and then only have notices for hearing issued.

Clarifications could be asked for by the Income-tax Officer by specifying the points to be clarified, in a separate sheet annexed to the notice office without indication of the points.

The Appellate Assistant Commissioner should send a fortnightly list of cases posted by him to the Income-tax Officer, so that the latter may refrain from posting

these cases on dates of hearing and thus obviate any avoidable adjournment.

One of the causes for delay in assessment is non-availability of records. Proper arrangements for custody of records under a Supervision and for Proper recording of the movement of the files should be made.

As assessee find it advantageous to delay returns till September of every year or even to delay thereafter on payment of interest, which is less than the market rate of interest, the law may be amended to provide that in all cases, other than companies, returns should be received by the 30th of June and in cases of companies by the 30th of September. Interest should run from the expiry of these dates and should carry 12 per cent rate. Reduction or waiver of interest should be only for reasons recorded in writing.

The time limit for making assessments should be reduced from 3 years presently and 2 years ultimately.

The Practice of sending return forms to the assessee which cause delays should be given up.

In the cases of existing assessee who fail to file their returns voluntary, ex-parte assessment should be made permissible without issuing any further notice, by amending Section 144.

Assessment under Section 143 (1), accepting the return after making additions for routine inadmissible expenses should be made permissible without issuing a notice under Section 143 (2), by amending Section 143(1).

A time limit for making re-assessments under Section 146 and pursuant, to appellate directions should be prescribed.

The suggestions has been made before that all firms constituted under a Partnership Deed and registered with the Registrar of Firms should be automatically registered, is accepted, the assessments, of firms could be considerably expedited.

The procedure of making provisional assessments which is time consuming and unnecessary should be given up and Section 141 should be deleted. Section 140A requiring payment of tax on self assessment should be made applicable to all assessee.

Concurrent jurisdiction should be vested in more than one Income-tax Officer so that when on Income-tax Officer is transferred or goes on leave the case can be taken up by another officer in the same area. Frequent transfer of jurisdiction should be avoided.

Transfer of officers should be minimised.

When a case is transferred from one officer to another, all the points examined should be set out by the former so as to avoid going over them all over again by the latter.

The time limit of 2 years for completing a penalty proceeding should run from the end of the assessment

year in which the assessment was completed and not from the date of the assessment order so as to avoid disturbance of assessment proceedings.

The time limit for posting a case after the return is received should not exceed two months.

The time limit for issuing an assessment order after the date of the last hearing should not normally exceed a fortnight.

The work of the Income-tax Officer should be rationalised so that all items of miscellaneous nature can be entrusted to the head of the ministerial section.

Sixteen per cent of the total assessments are assessed as N.A. (No Assessment). They should be reviewed and removed from the register if found infructuous.

In regard to Estate Duty, the pendency of assessments is due to disputed valuations. To remove this difficulty, power should be given to the Assistant Controller to apply the same rules relating to valuation of unquoted shares as given in the Wealth Tax Rules, for purposes of Estate Duty.

In regard to Wealth Tax and Gift Tax assessments, the arrears of assessments, will disappear if a comprehensive return is introduced.

#### **Problem Of Arrears Of Taxes**

The Income-tax Act provides for pre-assessment collections by way of deduction at source, advance tax, provisional tax and self-assessment and a good portion of the tax collected every year is accounted for under these heads. If these provisions are effectively enforced and fully complied with by the assessee, the arrears of tax should be much less.

There has not been adequate arrangement for ensuring that in all cases tax is deducted at source properly and paid into the Treasury in time.

In every Income-tax Office there should be a separate Section to watch the monthly returns in regard to the tax deducted at source and to ensure proper compliance of the provisions of deduction of tax at source and its payment.

There is no machinery in the Income-tax Department to find out whether in all cases where advance tax has to be levied, the notices for advance tax have been issued. In order to remove this defect, a complete list of all cases where assessee are found liable for advance tax should be prepared and indexed in a register in the months of April and May and brought to the notice of the I.T.O. Thereafter, notices should be issued and the date of the issue of the notice and its service should be entered in the register.

To facilitate quicker issue of notices, the computation of advance tax should be changed from the present method of applying the rate of tax prescribed by the current Finance Act to the total income of the latest

completed assessment. Advance tax should be demanded at the same amount of tax as demanded from the assessee for the latest completed assessment.

The instalments of advance tax should be reduced from 4 to 3 and made payable by 1st of September, December and March.

The present practice of issuing advance tax notices to existing assessee liable to pay advance tax should continue.

In regard to new assessee, a week prior to the due date of the instalments, advertisement should be inserted in all the Papers inviting their attention to their obligations.

Where assessee find that tax payable by them for any year is higher than the tax demanded from them and this difference exceeds 25 per cent, they should pay the advance tax according to their estimates and not as demanded.

Interest for non-payment of advance tax should be calculated at 12 per cent, rounded off to nearest Rs. 100 and charged with reference to complete months.

There should be a change in the method of adjustment of advance tax paid when final assessments are made. The Income-tax Officer should be authorised to set off the tax collected in advance on completion of the assessment without waiting for the adjustment by the Treasury.

Self-assessment must be made obligatory for all cases and not confined to cases where tax payable is in excess of Rs. 500. The tax on self-assessment should be paid along with the return. The provisions for provisional assessment may then be abolished.

The Law should be amended to permit filing of an appeal only when tax on undisputed income included in the assessment is paid. The Estate Duty Act should also be amended accordingly.

The appellate orders should be given effect to within three months of the receipt and the original demands rectified wherever relief is given.

The tendency to make cumulative assessments by the end of the financial year or when the time bar approaches should be given up.

A suitable time limit should be fixed for submission of remand reports asked for by the appellate authorities. If they are not furnished within the time specified, the appellate authorities should be free to dispose of the appeals without the remand reports and the responsibility of any loss of revenue for non-submission of the remand report should rest on the Income-tax Officer concerned.

There should be a time limit for rectification orders on petitions submitted by the assessee.

To prevent infructuous assessments and demands

being piled up against untraceable assessee, the Income-tax Officer should be allowed to make the assessment without any time limit as and when the assessee becomes traceable.

There should be a quicker write-off of irrecoverable demands and for this purpose, high level committees should be constituted both in the Board's office and in the Commissioner's office.

In the case of scaling down of the demands, the agreement should provide that where assets not disclosed by the assessee are discovered later, the whole scaling down agreement would fall through and the assessee would be liable to pay the tax as determined originally.

There cannot be any legal provision for holding on Income-Tax Officer responsible for an overpitched assessment in the present state of the assessee's accounts.

The tax recovery work must be completely taken over by the Centre from the States. The Estate Duty Act should be amended to enable estate duty demands being collected in the same manner as Income-tax demands through tax recovery officers.

There should be provision in the Estate Duty Act to prevent transfer of the immovable property left by a deceased interstate without paying Estate Duty.

#### **Simplification Of Procedures With A View To Minimising Inconvenience To Assesseees And Avoiding Unproductive Labour For The Administration**

In order to educate assesseees on their rights and obligations, the Department should issue foundational literature, such as "Outline of Direct Taxes" Layman's guides, etc., in Hindi, English and other local languages. Further, small booklets explaining particular aspects of the law and the rules which may be of assistance to the tax payer, such as, determination of liability of non-residents, determination of liability of firms and H.U.Fs. Reliefs and Rebates should be brought out in the local languages.

At the beginning of each year, a paper bag folder modelled on the lines of the "Businessman's kit" issued by the United States of America, should be made available to all assesseees. In this kit, forms of return and other forms which are to be filled by the assessee should be put in.

The return forms for assesseees with incomes above Rs. 15,000 and for company assesseees should be simplified. The existing form running to 30 pages appears to be unnecessary in most cases and therefore, there should be a basic form for setting out the total income with provision for annexures with reference to particular heads of income. The annexures should be made available to the assesseees at the Income Tax Counters.

One of the difficulties experienced by the Department's getting the return forms in time to be distributed to the assesseees. The Commissioners of Income-tax should be empowered to have the forms printed in the local press and to make them available to the assesseees not only through the Income-tax Officers but also through the Post Offices. Further, assesseees should be permitted to print their own forms.

Notices for hearing should not be issued in a routine manner for all assesseees. Notices under Sections 143 (2) and 142 (1) should be combined. Where it is felt that clarifications are necessary, a specific list of points on which such clarifications are required, should be attached to the notice.

Assesseees should be given seven clear days from the date of the service of the notice for appearing before the Income-tax Officer.

Notices should be sent to the assesseees' representatives and not to the assesseees wherever the former have the power to receive such notices.

Facilities should be provided to the assesseees to pay income-tax at the cash counter to be opened in the Income-tax Offices. For each assessee a ledger account should be opened in which all amounts paid by him or due to him will be debited, and periodical balances struck. This will eliminate much of the harassment now caused to the assesseees by asking them to pay tax even when some refunds are due to them.

In the refund voucher form, the advice to the bank should be printed as a perforated annexure so that I.T.Os. will despatch the advice form to the Bank Simultaneously with the issue of the refund voucher. This will eliminate delays in encashment of refunds.

Necessary safeguards in the scheme for collection of tax in cash should be provided.

An Income-tax Arbitration Tribunal should be set up to which assesseees may appeal on disputed facts after the Appellate Assistant Commissioner disposes of the matter. Where an appeal is preferred to this Arbitration Tribunal, the regular appellate procedure will be barred and the Tribunal's award should be binding on both the department and the assessee.

The Department should introduce a 'Readers' column in the bulletins issued by it for sale to public for providing answers to questions. The bulletin also should be re-designed and brought out by a Separate Editorial Board as a full-fledged, journal, reasonably priced.

The functional scheme will be effective if care is taken to achieve the Administration between the Assessment Branch, the Collection Branch and the Administration Branch and impediments to movement of files removed.

A number of time-consuming procedures can be removed by adopting time saving devices and eliminating infructuous work. The time saving devices should include introduction of addressographs, calculating machines and other mechanical aids, employing the use of computers for verification of employers' returns, combining the several proceedings for one hearing, eliminating office copies of various notices issued.

Calculation of interest should be simplified by providing for its calculation with reference to complete months and rounding of the amount of tax to the nearest Rs. 100.

To simplify calculation of tax income under each head as well as deductions for relief should be rounded off to the multiples of Rs. 10.

Subject to the concurrence of the Comptroller and Auditor General of India, no case should be re-opened on account of audit objection if the revenue involved is less than Rs. 50.

Out of the various registers to be maintained and statistical returns to be furnished by the I.T.Os, 14 registers and 34 returns should be discontinued as they do not serve any useful purpose.

#### **Needless Complexities In The Tax Laws And Suggestions For Removing Them**

There should be a halt to the frequent amendments to the Income-tax Law. No amendment should be proposed to get round an adverse decision of the Courts. When amendments are proposed, their total effect should first be studied and all amendments in the Act should be made through a separate Direct Taxes Amendment Act and not through the Finance Acts. Before Rules are amended, consent of the all Commissioners of Income tax and leading professional and trade bodies should be obtained.

Tax year and accounting year should not be made co-terminus and the concept of 'Previous Year' should not be abolished altogether.

The choice allowed to assessee to have several previous years should be withdrawn and a standard previous year prescribed gradually. To begin with, a standard previous year may be prescribed for companies, which may be a calendar year. For this purpose, Section 3 has to be amended.

The complicated definition of a 'Not ordinary resident' should be deleted from the Act and all assessee should be classified as 'Residents' or 'Non-residents'. Section 6 (f) should accordingly be deleted.

The concept of a company in which the public are not substantially interested should be given up and the same categorisation as given in the Company Law, namely, public companies and private companies should be introduced for all the purposes for which the differen-

tiations between the public companies and companies in which the public are not substantially interested obtain. If, however, it is desired to impose some curb on controlled companies, Section 2 (18) defining such companies may be amended to simplify the definition.

All firms constituted under an instrument of partnership and registered with the Register of Firms should be automatically regarded as Registered firms and separate registration proceedings in such cases should be avoided. The definition of a Registered Firm should be amended accordingly.

The tax paid by a registered firm should be allowed as a deduction from the total income of the firm and the balance income should be distributed among the partners in proportion to their share ratios.

The tax on a registered firm should be levied not with reference to the firm's total income but with reference to the number of partners and should range between 10 per cent and 15 per cent instead of between 6 per cent and 12 per cent.

Depreciation rates should be rationalised by consolidating the existing rates into five groups ranging between 5 per cent and 30 per cent. Depreciation should, however, be restricted to the actual amount written off in the books.

The consolidation of depreciation rates should be on an industry wise basis, the industries being grouped in accordance with the Industrial Development and Regulation Act.

The original cost of all assets less than Rs. 1500 should be allowed as revenue expenditure.

Books should be excluded from the definition of plants and cost of books purchased for bonafide purposes of business or profession should be allowed as a revenue expenditure.

In the case of seasonal factories, depreciation should be allowed taking the season as a full year. Full depreciation should be allowed if the factory balance worked for half or more of the season, half depreciation if it has worked less than half of the season but more than one month and no depreciation should be allowed for working less than one month.

Depreciation should continue to be allowed on the basis of Written Down Value, as it is a more appropriate method than the straight-line method.

For computation of salary income, assessee must be given an option of a standard deduction of 10 per cent of the gross salary in lieu of itemised deductions which they have to prove before the Income-tax Officer, in addition to deductions for Life Insurance Premium, Provident Fund Contributions, etc., and should be taken into account for deducting tax at source.

In the case of income from property the present

method of taking the gross annual value at a hypothetical figure should be given up and property income should be determined on the basis of the municipal valuation or actual rental received whichever is higher. Necessary Provision in Section 23 should be made.

In regard to the deductions of items of expenditure not relating to the construction or maintenance of the property, such as interest on mortgage charge or annual charge should not be allowed. Section 24 (iii) and (iv) should be deleted.

In the place of the enumerated deductions for ascertaining business income, the law should provide a single Omnibus Section for allowing deductions for all losses and outgoings to the extent they are incurred in carrying on a business or profession for the purpose of gaining or producing such assessable income, except where such losses or outgoings are of a capital, private or a domestic nature or are incurred for producing an exempt income.

Where on grounds of policy, certain items of a capital nature such as, depreciation, scientific research, patent and corporate fees, are to be allowed, they may be listed separately.

Where certain items of revenue expenditure are to be allowed only a restricted extent or are not to be allowed, they may be listed separately.

For computing the profits of an industrial undertaking, the basis must be changed from 6 per cent of the capital employed to 6 per cent of the paid-up capital.

There should be a rationalisation in the matter of application of income-tax rates for companies and simplification in the categorisation of companies.

The system of applying different rates depending upon the income of a company should be higher than the public companies. If incentives are to be given to industrial companies, they may be provided for not through the Income-tax Act but separately through a cash incentive scheme.

There is an element of double taxation in regard to dividends. Relief can be given in this regard either by allowing a deduction from the gross dividends in the hands of the shareholders or by taxing the distributed profits of a company at a concessional rate and taxing the shareholders at the full rate, without allowing any deduction from intercorporate dividend.

Dividend should include bonus also whether there is a release of assets or not.

Where a loan or advance is given by a controlled company to more than one shareholder the amount of loan or advance to be treated as dividend should be proportionate to their shareholdings.

In regard to dividend income, the law should pro-

vide for deduction of only ;

(i) Interest for capital borrowed ; and

(ii) Remuneration for realizing the dividend.

Personal taxation requires to be simplified.

Exemption limit should not be raised because that would keep out of the Department's eye many potential tax payers and may act as a screen for tax evaders. Further, a pervasive tax consciousness is necessary as a preventive against tax evasion and, therefore, there should be no exemption limit but a high personal allowance should be given. The maximum of this allowance for married individuals with two children should be Rs. 5,000 and for H.U.Fs. should be Rs. 10,000.

The first four slabs i.e. up to Rs. 20,000 (before making a personal allowance) should be integrated in one slab and a basic rate of tax of 15 per cent should be charged. This basic rate should apply to all slices of income even above this figure, but where the total income exceeds this figure (i.e. Rs. 20,000), additional tax should be imposed progressively according to the rising slabs of income. These rising slabs should end at Rs. 75,000 and the maximum rate of tax should be kept at the existing maximum viz., 65 per cent without taking into account the surcharge.

The distinction between the earned and the unearned income should go and the surcharges on unearned income and earned income above Rs. 1 lakh should also go. To make up the losses of revenue, the general surcharge may be increased by an addition of 2 and half per cent to the existing 10 per cent.

The Annuity Deposit Scheme should be scrapped and in its place, a compulsory deposit scheme for incomes over Rs. 15,000 should be introduced.

The Tax Credit Certificate Schemes have proved a failure and they should be removed from the Income-tax Act.

### Tax Evasion

Tax avoidance is a problem which has to be tackled from experience and the Administration must always be on the watch and should take immediate remedial steps as soon as they come up against attempts at avoidance.

Tax evasion is a perennial problem and has to be fought by spotting out the sectors where this evasion is concentrated.

An analysis of the dimensions of tax evasion discloses that there is unmistakable evidence of practice of tax evasion in the country and in spite of several measures taken by the Government, this continues on a disturbing scale and that tax evasion is concentrated in upper income brackets and is relatively insignificant in the lower income brackets.

High rate of taxation has not been proved to be the main cause of evasion.

The cases of tax evasion are :

(a) The general depreciation of money owing to inflation ;

(b) Concentration of contracts and licences in the hands of a few established groups ;

(c) Evasion of other tax liabilities, such as, Sales Tax and Central Excise ;

(d) Emergence of on-money owing to operation of controls ;

(e) The general social attitude to taxation which is conducive to tax evasion ; and

(f) Ineffective Tax Administration.

The avenues of evaded money are :

(i) Deposits with indigenous bankers in fictitious names ;

(ii) Purchase of gold and jewellery and keeping them in Safe Deposit Vaults or Secret Home-chests ;

(iii) Purchase of raw materials and stocks without bills ;

(iv) Purchase of and hoarding of grain stocks ;

(v) Purchase of quota and licences goods ;

(vi) Purchase of smuggled goods to be sold without bills ;

(vii) Payment of on-money towards purchase of property ;

(viii) Payment of premium towards purchasing running concerns etc. ;

(ix) Payment of "Pugree" for securing residential properties ;

(x) Utilisation of secret amount held in foreign countries for import of goods by under invoicing ;

(xi) Purchase of unauthorised foreign exchange to meet expenditure on visits abroad.

(xii) Levish household and personal expenditure ;

(xiii) Meeting expenses on marriage etc ; and

(xiv) Payment of brides.

To tackle tax evasion, administrative processes and procedures must be lightened in the following manner :

(a) Survey Circles should be established in all the charges and in larger cities. An Inspecting Assistant Commissioner should be placed exclusively in charge of the survey. A full complement of Inspectors to carry door to door external survey and for intensive internal survey should be provided to each survey circle.

(b) The work of special Investigation branches attached to the offices of the Commissioner of Income-tax should be rationalised and these branches should function effectively as a Coordinating Section.

(c) Proper arrangements for extracting useful information by internal survey and its effective utilisation should be made.

(d) An All India Registration Number should be introduced for all assesseees under the provision that this All India Registration Number should be quoted when an assessee applies for licences, quotas, contracts, etc. The same number should be quoted while applying for property transfers or opening bank accounts, etc. If a person has no assessable income, he should be asked to give a declaration that he is not assessed to income-tax and that declaration should be sent to the Investigation Branch for verification in due course.

(e) Introduction of an integrated return for all taxes other than Estate Duty, will facilitate effective cross verification of the correctness of the income wealth gifts and prevent tax evasion.

(f) The return form should carry a certificate from the assessee that he has examined the return, the accompanying schedules and statements and declares under penalties of perjury that they are correct, complete and true.

(g) The machinery relating to investigation and prosecution of tax offences, should be strengthened and centralised and all cases of suspected tax evasion should be transferred to the Central Commissioner's charges who will function under the direct supervision of Members, Investigation.

(h) Prosecution should be launched in all cases of proved evasion and the temptation to accept a monetary penalty should be avoided in those cases.

(i) Where prosecution is not feasible, deterrent penalty should be levied and the penalty should be confiscatory in character.

The legal provisions to safeguards against tax evasion are :

(a) It should be provided in the Law or the Rules that every assessee should declare in his return not only those assets and incomes ostensibly owned by him but also those assets and incomes of which he is the beneficial owner.

(b) The incomes of husband and wife should be aggregated for the purpose of assessment, as it is seen that in many cases incomes earned by the husband are shown as having been earned by ladies and tax thereon is evaded.

(c) Provision must be made that the accounts produced in support of the return of income shall be deemed to be part of the return so that any falsity in the accounts can be a ground for prosecution and penalty.

(d) Provision should be made that every assessee should append a certificate on the last page of the accounts books that no transactions have been kept outside the books and the accounts are true, correct and complete.

(e) The Law may be amended that on indigenous



relating to economy. In Bombay and Calcutta there should be separate Commissioners for recovery work.

Only senior officers should be posted as Appellate Assistant Commissioners. As a general rule, Inspecting Assistant Commissioners with service of not less than five years in that post should be appointed as Appellate Assistant Commissioners.

The Inspecting Assistant Commissioners could be relieved of the Inspection duties a good deal, so that they might devote the time to the more important task of pre-assessment guidance to the Income-tax Officers.

The Inspecting Commissioners themselves should make assessment in big cases involving complicated cases of law or intricate manipulations of accounts.

In order to increase the efficiency of the internal audit, it is necessary to place it under an Inspecting Assistant Commissioner in each Commissioner's charge.

The Assistant Commissioner, whether Inspecting or Appellate, should be given a pay scale intermediate between the present scale and the scale of a Commissioner. There may be a selection grade in the Scale of Directors in the Ministries of Government of India and the strength of this grade may be 20 per cent of the whole strength in the cadre of Assistant Commissioners.

The Inspecting Assistant Commissioners of Income-tax should be redesignated as Deputy Commissioners (Inspection and Assessment) and the Appellate Assistant Commissioners should be redesignated as Deputy Commissioners (Appeals).

All posts of assessing officers should be in Class I and 75 per cent of the existing posts of assessing Income-tax Officers in Class II should be converted into that of Class I. The residual portion of 25 per cent in Class II should be reserved for promotion from the non-gazetted ranks, and the officers so promoted should be assigned non-assessment type of duties, such as Administrative Officer, Chief Accounts Officers and Examiners.

All Income-tax Officers in Class I should be redesignated as Assistant Commissioners of Income-tax. The pay scale of an Income-tax Officer should be an integrated scale and should end where an Assistant Commissioner's proposed scale begins.

Income-tax Officers should be sent out on deputation in increased numbers.

There should be no direct recruitment to Class II and all the posts in Class I must be filled by promotion from the cadre of Inspectors. We have suggested that 25 per cent of the existing Class II strength of Income-tax Officers should be retained for this purpose. In addition, a percentage of the Inspectors' posts may be converted into Class II for being filled up on promotion by selection. A limited number of Class II Officers may be eligible for promotion to Class I and the percentage in this regard is left to the Government to decide. On promotion to Class I, their seniority will be determined on the basis of the Roster System.

Assessment duties should not be entrusted to Income-tax Inspectors. The provision in the Income-tax Act enabling Government to vest assessment powers in Inspectors may be deleted.

There should be a higher proportion of the direct recruitment to the cadre of Income-tax Inspectors. The proportion of the direct recruitment to promotion should be raised from the present 33-1/3 per cent to 50 per cent. The direct recruitment should be made through the Union Public Service Commission by holding competitive examination.

The scale of pay of Inspectors should be revised to be intermediate between the scale of a Technical Assistant and a Class II officer.

The post of Supervisor in the scale of Rs. 335-20-450-25-475 should be retained and the post of Head Clerk should be abolished.

All posts of Upper Division Clerks in functional units and 20 per cent of the posts in non-functional circles should be converted to those of Technical Assistants, in the same scale of pay as applicable to the Assistants working in the Central Secretariat Service. Their designation should also be changed into that of Technical Assistants. The designation of other U.D.Cs. should be changed as Junior Assistant in the same scale of pay as at present sanctioned for U.D.Cs.

The Cadre of Lower Division Clerks should be retained but must be kept at the minimum level.

There must be mutual trust between the head of the organization and the subordinates to hold the morale firm.

Unless anonymous and pseudonymous petitions contain specific details of a verifiable nature, no notice should be taken of them. This will go a long way in restoring the morale of the officers.

# ADMINISTRATIVE REFORMS COMMISSION, WORKING GROUP ON COMPANY LAW ADMINISTRATION, 1967—REPORT

New Delhi, Administrative Reforms Commission, 1968. 182p.

Chairman : Shri D.L. Mazumdar.

Members : Shri Kali Mukherjee; Dr. R.K. Hazari;  
Shri M.V. Venkataraman; Shri H.P.  
Nanda; Shri P.B. Menon.

Member-Secretary : Shri S. Venkataraman.

## APPOINTMENT

In its report submitted to the Administrative Reforms Commission on April 15, 1967, the Study Team of Economic Administration headed by Shri C.H. Bhabha, had briefly touched upon the role of Company Law Administration, but it was mainly concerned with the wider issues of economic policy centering round the principal economic controls and the licensing of industries including the regulation of foreign investments. The Administrative Reforms Commission, therefore, considered it necessary to sponsor a depth study on several major issues relating to the corporate sector, with particular reference to the inter-relationship between the financial institutions and the working of joint stock companies and the factors which had a close bearing on the effective administration of the Companies Act and the fulfilment of the aims and objects underlying it. After a preliminary discussion of the scope and purpose of the proposed study with Shri D.L. Mazumdar, formerly Secretary to the Government of India in the Department of Company Law Administration, the Administrative Reforms Commission decided to set up a Working Group for this purpose on August 11, 1967.

## TERMS OF REFERENCE

(i) To examine the organisational set-up of the Department of Company Affairs with a view to assessing its suitability for securing speedy despatch of business and for enforcing the provisions of the Company Law;

(ii) To examine whether the administrative machinery is adequate for preventing malpractices in company management;

(iii) To examine whether the procedural requirements of the Companies Act do help in the achievement of the socio-economic objectives;

(iv) To make suggestions for the elimination of irksome and avoidable procedural requirements which unduly abridge the area of managerial initiative and discretion;

(v) To examine whether the provisions of the Company Law relating to the private and public companies discriminate in favour of either of the categories and if so, whether this discrimination is justified in the interest of the economic development. The Group may also suggest rational principles of categorisation of the companies in the light of the country's socio-economic objectives and the requirements of the economic growth;

(vi) To examine whether the provisions of the Company Law relating to inter-corporate investments and other financial restrictions are suitably designed to secure wide dispersal of ownership and avoidance of concentration of economic power and to consider the extent to which they have been effective;

(vii) To examine whether the provisions of the Company Law relating to the remuneration of Manager, Managing Agents, Managing Directors, etc., follow any consistent and clearly defined income policy;

(viii) To examine if there are any clearly defined criteria guiding the extensive exercise of administrative discretion vested in the Government under the Companies Act;

(ix) To examine whether there is adequate institutional arrangement to ensure co-ordination and integration of the financing policies of Government and quasi-Government institutions with the objects underlying the regulatory measures pertaining to the corporate sector; and

(x) To consider any other aspects of the administration of Company Law that may have a significant bearing on the achievement of the aims and objects of the Law.

## CONTENTS

Introduction, Nature and Significance of Joint Stock Companies; Changing Concept of Company Law in the Context of Modern Thinking on the Subject; Scope of the Report; Classification of Companies;

Structure and Organisation of Company Management; Company Management in Practice—Some Important Problems; Shareholder's Control and Minority Rights; Inspection, Investigation and Prosecution; Discretionary Powers Under the Companies Act; Present Machinery for Administration of the Companies Act; Integrated Administration of Company Law and Related Enactments; Winding-up of Companies; Organisation for Adjudication of Company Cases and Judicial Review of Administrative Action; Miscellaneous Provisions; Annexures A and B; Findings and Recommendations.

## RECOMMENDATIONS

The efficient management of companies is a matter of concern not only to the shareholders and other interests connected with their working but also to the national economy and the public interest.

There are some essential pre-conditions to the purposeful and effective administration of the Companies Act and related matters. These are—(a) first, that the policies embodied in the provisions of the Act should be spelt out with sufficient concreteness, so that there may be no difficulty in translating them into operational terms; (b) secondly, there should be a reasonable measure of commitment to these policies, alike on the part of ministers and other policy-makers connected with their Administration and of the senior civil servants entrusted with the responsibility for their implementations; (c) thirdly, the relevant statutory provisions should be reasonably free from ambiguity; and (d) fourthly, the executive rules, regulations and instructions framed under the statute, with due regard to good company practice, should be clearly worked and internally consistent.

There have been frequent amendments of the Companies Act in the past, it may not be unfair to infer that they were conceived and designed primarily to deal with ad hoc issues, which arose from time to time and which could not obviously have been based on any total view of company law and its bearing on the working of Joint Stock Companies.

A comprehensive look at the detailed provisions of the Companies Act and also of the other related statutes, some of which are at present administered by other ministries and departments, should be undertaken at an appropriate time as soon as the legislature has dealt with the Monopolies and Restrictive Trade Practices Bill which, we understand, is now before a Select Committee of Parliament.

The object of this overall review which we suggest would be to undertake a detailed study of the specific provisions of the Act in relation to the other related Acts with a view to—(a) Coordinating and integrating the policy decisions embodied in these provisions and

now administered by different departments in an uncoordinated and fragmentary manner; and (b) assessing the total burden imposed on the Administration in order to find out how much of it could be reduced through changes in the technical requirements of the law and better coordination and integration of the administration of other statutes now administered by other ministries and departments.

We recommend the setting up of a competent, expert committee to have a detailed scrutiny of the various returns, bearing in mind the purpose for which they were originally conceived, and at the same time taking into account the actual use that is made of these returns in the offices of the Registrars.

We recommend that the present definition of a private company contained in the Companies Act, 1956, should be amended and a private company properly so called should be defined as a company which :

- (i) Restricts the right to transfer shares;
- (ii) Limits the number of its members to 50 excluding employees;
- (iii) Prohibits any invitation to the public to subscribe for any shares in or any debentures of the company; and
- (iv) Restricts its borrowings from the public and from financial institutions, other than banks, set up under statutes or under the authority of the Central or State Governments or from any other public company, not being a banking company, to 50 per cent of its paid up capital.

We suggest that the Department may scrutinise the list of the returns which private companies are required to file as well as many of the formal provisions of the Act applicable to them with a view to limiting the requirements of the law applicable to them to a minimum.

We consider it very important that the law relating to the organisation, structure and the powers and duties of management of companies should be such as would enable management to discharge their responsibilities. The pre-dominant form of management in the corporate sector of this country in terms of corporate assets was till lately represented by the Managing Agency System in terms of corporate taxes. With the rapidly declining importance of the system, it will be necessary to strengthen alternative forms of management through Boards and Managing Directors and to develop in the top managers capacities for initiation and promotion of enterprise.

The economic and social requirements of modern business will need a forum where the Managers of the future could have them sorted out and integrated, in the overall interest of all the parties participating in an enterprise. We have considered whether it might not

be advantageous to provide in our Indian Law for a modified pattern of the two tier system originally set up in Germany and since adopted in several countries of the European Community. A logical corollary of this type of set up would be the institution of collegiate or plural executives rather than the familiar one-man executive as represented by the Managing Director of a typical Indian company.

In course of our enquiry we were told that many companies were already unobtrusively moving towards the type of management set up which distinguishes between the supervisory and the management functions. We do not, however, think that the time is yet ripe for writing into our company law any specific provisions on this subject. Instead we suggest that the developments in the wake of the abolition of the Managing Agency System should be carefully watched, and studied. Meanwhile, we suggest that, in their own interest, the business leaders should consider whether it would not be advantageous to encourage the growth of an informal type of collegiate management under the broad supervision and control of a composite board of directors. We have reason to believe that if senior executives of companies who have the power to take subordinate decisions could be given access to the management board, and could participate on an equal footing with the top management in major decision-making, the efficiency, quality and the harmony of management would considerably increase.

We consider that an appropriate management structure for public companies should be provided by one or more full-time managing directors or whole-time working directors, or whole-time managers who must have seats on the Boards of these companies. Following the abolition of the Managing Agency System, we should like the law to provide compulsorily for at least one Managing Director or one whole time Director or a Manager with a seat on the Board of every public company.

The Companies Act, 1956 already provides that no one can be appointed to be a Managing Director for more than two public companies except with the approval of the Central Government. We consider that this prohibition should also extend to private companies, i.e., no one who is a Managing Director of a public company shall be appointed Managing Directors of four companies in all including private companies.

In the context of the re-organisation of the management structure of companies in future, we have also to consider the question of the participation of workers' representatives in the issue before us on the analogy of the provisions relating to workers' representation on the German Supervisory Boards, we felt that the time had not yet arrived for any such provision in our law,

Nor did the demand for such representation on the Boards of Companies appear to us to be particularly strong or insistent.

We are inclined to take the view that it is only after further improvements have been made in workers' rights and more systematic and comprehensive use has been made of a wide range of joint determination within an enterprise in its day-to-day activities, that statutory representation of workers in the management of companies whether at the top (Board), middle (Executive management) or lower (shop-floor) levels can be considered.

Before any attempt is made to provide for the statutory representation of workers at any desired level in company management. In the circumstances of this country, it would be idle to expect to obtain, in the near future the right type of people for higher level of management than for the shop-floor level.

We do not consider that it is necessary at present to provide in the Companies Act compulsory representation of workers at any level of management. But it is our hope that it may be possible for the management of companies increasingly to associate with them workers representatives, particularly at the shop-floor level, so that all management decisions that affect the interest of workers can be taken in the full light of the discussions with worker's representatives.

We are not sure if the provisions of the law should also provide for compulsory representation of the consumers or of the general public on the Boards of companies. On the whole, we are inclined to the view that, unless further discussion and debate has clarified many of the issues relating to election or selection of representatives of consumers and the general public, it is not necessary to provide in the law for any such representation.

While we are in sympathy with the claim that the minority of shareholders should be adequately protected through representative on the management of companies, we are somewhat hesitant about recommending a compulsory system of proportional representation for all or even selected group of companies. Our hesitation arises from the fact that the present provisions of Section 265 of the Act which given an option to a company to adopt proportional representation for the appointment of Directors has hardly been used even in the cases where several groups of shareholders constituted substantial minority. Nor are we quite sure if the complications involved in working out a system of proportional representation would not seriously prejudice the relations between the Directors representing different groups among shareholders and the company. Indeed the entire subject of proportional representation in the context of the provisions of that section requires

further detailed study. Government should initiate this study immediately, so that when Companies Act 1956 is comprehensively amended in future, a further close look may be given to the present virtually inoperative Section 265 of the Act. We should like Government to examine a specific suggestion made to us by some witnesses, viz., that where a substantial minority of shareholders ask for the appointment of a Director in addition to those who are already on the Board it should be necessary for a company to appoint him to the Board, notwithstanding, anything in the Articles of the company or the provisions of the Act relating to the election of Directors.

We feel that the time has come when the right to speak should be extended to a proxy.

We are of the view that the Companies Act should now provide compulsarily for the appointment of qualified secretaries in the case of all large public companies say, with a paid-up capital of Rs. 50 lakhs or more. We also recommend that suitable qualifications for such secretaries should be prescribed by Government. These should be such as will include persons who have passed the examination organised by Government on an All-India basis and obtained diplomas from Government, and other who have passed recognised academic or professional examinations directly concerned with the management of companies.

We feel that the Administration should be able to lay down, in general terms the type of individuals, who would prima facie be judged unfit for appointment as managing or whole-time directors of public companies, and to make its general policy known to the business community and to the shareholders and other directly concerned with the management of companies. Section 274 of the Act sets down some disqualifications of directors. We suggest that the Administration should consider the feasibility of adding to this list in the light of its administrative policy as regards the appointment and reappointment of managing or whole-time directors. This will be in the nature of a supplementary list of disqualifications intended for the guidance of the business community, although deviations from these further conditions might be considered by the Administration in exceptional cases.

Under Section 275 of the Companies Act, 1956, no person can be director of more than 20 companies. This number excludes private companies, unlimited companies, associations carrying on business for no profit and all companies in which an individual is only an alternate director. Many witnesses who appeared before us considered that this number was unduly large and needed to be reduced to ten in case of public companies and fifteen in the aggregate inclusive of private and other companies but exclusive of associations carrying

on business for no profit. We agree with this view and suggest a suitable amendment of the Act in due course.

In our view no one who has attained the age of seventy should be permitted to continue as a director, and no deviations from this rule should be permitted.

We were told that many companies had on their Boards a few well-known names, knowing fully well that they could not devote time or thought to the policies or programmes of the companies. This we consider an undesirable practice. We, therefore, recommend that a suitable provision in the Companies Act should be made either to do away with this practice or at least to mitigate its evils by limiting the number of ordinary directorship which a managing or whole-time director of a public company can hold to not more than two or three. The fees received by such a director for attending the Board meetings of the other companies should, we consider, be surrendered on a suitable basis to the company or companies of which he may be a managing or whole-time director.

We understand that Government have recently taken a tentative decision to prohibit contributions to political parties or for any political purpose. If this is so, we endorse this decision, although we recognise that contributions for this purpose could and perhaps would still be made deviously out of a company's funds, which may not be easy to detect from the company's published accounts. This is, however, no argument for the law to continue to countenance the present practice.

While we agree that suitable amendments of the existing laws should be made to prohibit contributions political parties or for political purpose out of company funds, we do not consider that similar curbs on the use of company funds for charitable purposes, which are duly recognised as such in the revenue or other laws of the country are called for except that such contributions should be disclosed in the company's published annual accounts.

We understand that Government have already taken a decision as to the abolition of the managing agency system in the near future. We presume that the institution of Secretaries and Treasurers would for similar reasons, be also abolished at the same time.

We consider that it will be more appropriate for the Administration to fix a suitable remuneration for the Chief Executive of a company after taking into consideration all relevant factors, in relation to its size and the nature of its business and the qualifications, experience and background of the selected Chief Executive and, of course with due regard to the company's profit-earning capacity for the entire period of his first appointment, and to treat this as the minimum remuneration admissible to him under Section 193 of the Companies Act.

The Provisions of this section permit this course to be followed in all these cases where a monthly payment is proposed to be made. As a safeguard, Government may reserve the right to call for regular periodical information about the performance of a company at any time, and indeed as often as it considers necessary to do so, during the period of the first appointment of the Chief Executive, in order to satisfy itself that the remuneration sanctioned for him is justified.

Our broad conclusions on the question of control over managerial remuneration are as follows :

(i) Within the limits of the statutory ceilings, prescribed for such remuneration in Sections 198, 310, 326 etc., of the Companies Act, 1956 and subject to the maximum administrative ceiling laid down by Government, the shareholders should be free to fix the remuneration of the Chief Executive of a company at an appropriate level after taking into account all the relevant factors which are now considered by Government in fixing the remuneration payable to them. The decision of the shareholders should be taken by a special resolution at a meeting.

(ii) This decision should be conveyed to Government within a fortnight of the special meeting to be held for this purposes.

(iii) Government should have the right to call for such further information as they wish to have in regard to any such decision and to order any suitable modifications in the proposed remuneration or in the terms and conditions of employment of the Chief Executive of a company, within a period of two months of the receipt of the certified copy of the special resolution passed by the company. If no such information is called for or no objection raised within 60 days, the company's proposals would be deemed to have been approved.

(iv) In regard to minimum remuneration, Government should sanction a reasonable remuneration in the case of salaried employees for the entire period of the first appointment of a Chief Executive, in the case of a new company.

(v) In the case of going concerns, the remuneration duly approved by Government should be deemed to be the minimum remuneration for a period of two to three years at a time. If at the end of this period it is found that the amount of remuneration sanctioned is in excess of the statutory limit, Government should have the right to review the case and to prescribe such other remuneration as may be appropriate to the fortunes of the company. For this purpose suitable guiding principles should be framed and communicated to the Chambers of Commerce and other trade associations.

(vi) In order to give publicity to the decisions of

the Company Law Board on the terms of remuneration approved for managerial personnel, the Board should take steps to publish approved terms in the suitably abridged form in its fortnightly journal where it is already publishing the appointments and re-appointments of managerial personnel.

We do not think that the criticism about the present procedure and practice followed by Government with regard to cases dealing with inter-corporate investments and loans are fully justified. On the contrary, we consider that the reasons which promoted the imposition of the present restrictions on inter-company investments still exist, and that, in the circumstances of company management in this country and in order to prevent dissipation of a company's resources and undue concentration of economic power in a few hands, it is necessary to maintain some curbs on the freedom of management to invest in the shares of other companies. In this connection our attention has been drawn to the need for encouraging investments in priority industries. We have no doubt that in considering applications for inter-company investments in excess of the limits laid down in Section 312 of the Companies Act, Administration will take due note of the desirability and importance of encouraging investments in such industries, provided the managements of the companies concerned can be depended upon to make good use of such investments, and the resources of the investing company permit of such investments without detriment to its own legitimate needs.

We do not consider that the operation of the statute relating to inter-corporate investment has been unduly severe or that the powers conferred on the Central Government have been exercised with undue rigidity. We further note that since the present provisions were inserted in the Companies Act, 1956, the guiding principles formulated by Government have taken due note of the legitimate needs and requirements of business.

We do not think that the obligation cast on the public companies by the procedure laid down for examination of cases relating to inter-corporate investments is unduly onerous.

We have considered a suggestion for doing away with the requirement of Central Government's prior approval if investments in excess of the permissible limits are duly approved by the company at a special meeting. We do not consider that this suggestion would be of any advantage to the companies. On the contrary, it might well create problems and difficulties which the present requirement about prior approval of the Central Government avoids.

In the case of inter-corporate loans we suggest that the criteria to be taken into account by the Administration in dealing with applications under Section 370

of the Companies Act should include (i) the financial position of the applicant company; (ii) the financial position of the borrowing company; (iii) the security offered; (iv) the rate of interest on the loans; (v) the terms and conditions for the repayment of the loan; (vi) the purpose for which the loan was proposed to be given; and (vii) the present position of the loan and investment part folios of both the lending and the borrowing companies.

In view of the liberal margin on which companies have the freedom to operate under the provisions of Sections 370 and 372 regarding inter-corporate investments and loans, we do not consider that there is room for any legitimate apprehension about the effects of these provisions on company practice or on the orderly growth and expansion of corporate business.

With the progressive abolition of the managing agency system, there is good reason to think that many of the erstwhile managing agents would like to enter directly or indirectly into sole selling agency agreements with the Companies which they managed previously. We, therefore, suggest that Government should consider the strengthening of the provision of Section 394 of the Act, and particularly Sub-section (4) (b) (ii) of this Section, so as to enable them to keep a close watch on the tendency to use the selling agency agreements as a device for unduly adding to the remuneration of the management of companies.

A good deal of intensive home work will have to be done by the senior officers of the Department, in consultation with selected representatives of trade and industry and marketing experts, to evolve appropriate guidelines for the use of departmental officers entrusted with the responsibility for the administration of the provisions of the law relating to sole selling agents. The object of these guidelines would be (a) first, to work out the norms and yard-sticks with reference to which selling agency agreements would have to be examined, and (b) to prescribe standard terms and conditions subject to which such agreements could be entered into.

If an effective administrative machinery could be built up for examining cases of sole selling agencies, and only subject to this condition we would recommend that having regard to the importance of this matter, copies of all sole selling agency agreements entered into by public companies with a turnover, over a prescribed limit in any particular line of trade or industry, should be submitted to Government for registration in the regional offices. It should be open to Government to modify the terms of these agreements at any time during their pendency after hearing the parties concerned, and companies should be required to give effect to these modifications with effect from such date as

Government might indicate.

We were told that one likely bye-product of the proposed abolition of the managing agency system would be the appointment of relations and friends of managing directors or directors of the firms and companies in which such directors were directly or indirectly interested as sole selling agents of the companies concerned. This developments would need to be carefully watched. We would recommend that if this tendency grows rapidly, the law should be suitably amended to require that in such cases, the terms and conditions on which selling agency agreements were to be entered into should be approved by a special resolution of the companies concerned, within a period of six months for these agreements, and that the commissions or other payments proposed to be made to the selling agents in such cases should suitably be isolated in the profit and loss accounts of companies.

It is important to ensure that spurious organisations calling themselves by such names as Consultants, Technical Advisors, Agents or Special Officers, are not used as a device for channelling the profits of companies into the hands of the erstwhile managing agents or their associates. As a rule, we consider that the best way of remunerating genuine Consultants or Technical Advisors would be to compensate them by means of fees so calculated as to ensure that the payments are commensurate with the value of their services and not by means of ad hoc percentage of Commission on gross profits. Anyhow, these practices to which our attention has been drawn need to be closely watched by the Department of Company Affairs. In particular we suggest that where a percentage of gross profits is proposed as remuneration for such organisations, it should be subject to ratification by the company in a general meeting within a period of not more than six months from the date of their appointment. Government in the appropriate Ministry may also consider a system of registration of Consultants, Technical Advisers, etc., who should be called upon to conform to certain essential minimum conditions before they are permitted to offer their services to the business community.

Recent thinking in the advanced western countries of the world has been concerned with the problem of devising an appropriate internal forum, within a company's structure itself, where a reasonable balance of power between the management of a company, its shareholders and its employees can be struck. In the absence of any such institutional forum, our Indian thinking during the last decade has been concerned with the problem of providing external controls largely through the machinery of the Administration. We feel sure that it will be generally agreed that, to the extent that an appropriate institutional structure is built up

within the organisational frame of a company which provides a forum where the management of a company, its shareholders and its employees can participate in major decision-making, the need for external control over companies will correspondingly diminish. Till then, however, the working of companies and those responsible for their management need to be placed under the discipline of a reasonable measure of statutory regulation and control.

Section 265 of the Companies Act 1956, permits a company, if it so chooses, to adopt the method of proportional representation for the election of representatives of shareholders on its Board. In practice, however, little use has been made of the powers already given to companies under this section.

A great majority of company managers in this country consider that it is better to have a cohesive Board working on the basis of straight majority voting, rather than one containing conflicting groups or factions. Also the demand for proportional representation by the shareholders themselves or the shareholders' associations has been very limited. In these circumstances we do not consider that any amendment in the law is called for at present. We have already stated in as before that the subject should be studied further.

We feel that much more concentrated thinking on the subject of minority representation on the Board need to be done by the active minority shareholders or by shareholders' associations in different parts of the country, before they can legitimately seek the aid of legislation to support their moves.

Unless Section 408 is radically overhauled so as to empower Government directors to intervene more effectively in decision-making by a majority in important matters, we do not think that it is likely to achieve the objects for which it was intended. We, therefore, suggest that Government should consider how this section could be suitably amended. One way of investing Government directors with effective powers would be to empower them to hold up decisions in respect of some specified areas of company management and to refer them to Government if they were of the view that such decisions would be oppressive to any members of the company or might prejudice the interest of company or might be against the public interest, if they were given effect to by the Board of the company.

It seems to us that if the powers vested in the courts under Sections 397 and 398 of the Companies Act are to be effectively utilised some far-reaching changes in the structure of the judicial machinery as well as in the procedures and in the rules of business of the relevant judicial institutions would be essential.

Although a view was expressed in our Group that the removal of the requirement under Section 397 and

398 (under those Sections the right to apply to a court of law can be exercised only by not less than one hundred members of a company or but not less than 1/10th of the total number of its members, whichever is less) might lead to the abuse of the processes of law, we feel that if one or more individuals desired to apply to a court of law to have his or their grievances thrashed out, it would not be proper to deny them access to the courts and that if the courts felt that processes of law were being abused it would be possible for them to take appropriate action when the applications were considered by them.

We recommended, as already mentioned previously, that the least that can be done to enable shareholders who are in a position to do so to express their views at company meetings is to confer on the proxies the right to speak at company meetings.

We feel that there may be some advantages in changing the Auditors of Companies at least every five years. We recommend that this proposal should be examined by Government in consultation with the Institute of Chartered Accountants before any change in the existing law is made.

A good deal of detailed study will have to be undertaken into the principles and contents of both 'efficiency and social audit' before appropriate procedures and techniques in respect of such audits can be evolved. Till then it is hardly possible for any Companies Act to require that the accounts of public companies or at any rate, some of them, should be subject to such audits. We do not, therefore, consider it practicable at this stage of the development of the accounting profession in this country to provide compulsorily for such audits in our Companies Act in respect of public companies, whether, in the private or the public sector.

It is necessary for us to emphasize that the problems involved in the installation of any system of 'efficiency' audit and, to a much greater extent of 'social audit' are not so much organisational or administrative but essentially technical. Neither among the 'company auditors dealing with the accounts of companies in the private sector nor among the official auditors belonging to the offices of the Comptroller and the Auditor-General or the Director of Commercial Audit. We have at present many persons who have either sufficient acquaintance with the principles of such audit or who are familiar with the methods and techniques which have to be used in these types of audit. Till the profession of accountancy in this country has built up a cadre of such highly specialised auditors, it would be futile to emulate the example of other countries and to try to duplicate institutions which have been set up elsewhere.



We strongly urge that Government should do all that they can to help the Institute of Chartered Accountants and the Sister Institute of Cost and Works Accountants to develop their technical and research sides. They should be encouraged to undertake high trade study and research into the principles of 'efficiency and social' auditing, and into the methods and techniques appropriate to such special audits. Simultaneously, the Institute should be suitably assisted, so that they can secure access to the best available knowledge on this subject in some of the western countries, and may be able through a system of exchange of personnel to build up a cadre of well-trained specialists within its ranks. It is only then that thoughts about 'efficiency' and 'social' audit can become a reality in company audit in this country instead of remaining, as they now mostly seem to do, merely heavily loaded phrases which only embody vaguely articulated hopes and intentions.

We consider that the original objective underlying the present procedure as well as the organisational set up for implementing the provisions of Section 209 (4) (b) of the Act for evaluating the level of efficiency of companies was not very realistic however, landable in theory it might have been. It can, however, be a useful instrument for finding out materials and facts which could justify initiation of investigating inspections and 'Special audits'.

We feel that it is essential to integrate the work of inspection officers at the regional levels with the field organisation of the Regional Directors and Registrars. This would mean in practice that the officers attached to the Inspection Wing in the regional offices should work wholly under the administrative control of Regional Directors and should form a part of the set-up of regional offices. This will facilitate their working in close concert with the Registrars of Joint Stock Companies who are already under the control and supervision of the Regional Directors. The Director of Inspection and his staff at the headquarters of Department at Delhi should be concerned primarily with the formulation of principles of inspection and its methods and techniques and provide technical guidance, where needed, to the Regional Directors and the regional inspection staff. There will still remain a good deal of detailed home work to be done at the headquarters of the Department in evolving appropriate principles of inspection for the guidance of the departmental staff and for working out an integrated procedure relating to the implementation of Sections 234 (b), 235, 237 and also Section 233 (A) dealing with the special audit of companies. The powers conferred on the Administration under these various sections are at present exercised on a somewhat ad hoc and haphazard basis, and no unifying

principles or integrated procedure for appropriate action under those different sections appear to have been so far evolved. This is a task on which, we suggest, the Director of Inspection at the headquarters of the Administration with the nucleus of staff stationed there should concentrate. Our proposals for the reorganisation of the work of inspection are, therefore, as follows:

(i) The Central Director of Inspection should be concerned with the formulation of the principles of inspection and the methods and procedure to be followed by the inspecting officers and their staff after periodical consultations with the Regional Directors;

(ii) He should also be entrusted with the duty of working out similar principles and procedure for initiating action under Section 234 (4) and Section 233 (A) of the Act relating to the special audit of companies;

(iii) He should further offer, whenever necessary, technical guidance in individual cases to the Regional Directors and the inspection staff and in all cases of inter-regional inspection where a carefully concerted strategy of inspection will have to be devised for the officers and staff of different regions to ensure effective co-ordination of work among them;

(iv) The administrative responsibility for the day-to-day supervision and control over the work of the inspecting staff should vest in the Regional Directors;

(v) The reports of the inspecting staff should be finalised in consultation with the Regional Directors, and in cases of inter-regional inspections, after consultation with the Central Director of Inspection;

(vi) On the basis of inspection reports the Regional Directors should take such follow-up action as may be needed in all matters in respect of which powers have been delegated to them under the Act.

We suggest that the work and organisation of scrutiny cells should be reviewed at a very early date, and steps should be taken to cut out all infructuous exercises and to concentrate on selective meaningful scrutiny of annual accounts and other routine company returns that are now submitted to the Registrars of Companies. At the same time advantage should be taken of our proposals for the reorganisation of the work of inspection to strengthen the 'Scrutiny Cells' in the offices of Registrars of companies with personnel of a higher calibre and quality. This may be done by replacement of some of the existing clerical staff by qualified technical people.

We suggest that in future, inspections under Section 209 should ordinarily be the first preliminary step to an investigation under Section 235 or 237 of the Act.

With regard to the special audit of companies under Section 233 (A) we regret to observe that this power has

been hardly used by the Administration, although this section was incorporated in the Companies Act as early as 1960.

In order to ensure more effective action we consider it essential to create a combined office of Director of Inspection, Investigation and Prosecution at the Centre.

The proposed office of the Central Director of Inspection, Investigation and Prosecution should be manned with persons possessing expert legal and accounting knowledge, training and experience.

The proposed office of the Director of Inspection, Investigation and Prosecution should have broadly three divisions, (a) one, dealing with policy matters i.e., the formulation of Principles and Procedures, including methods and techniques for inspection, investigation and prosecution of company cases; (b) an executive division dealing with inter-regional or all-India investigations, and (c) a second executive division dealing with the prosecutions arising out of such investigations.

Advantage should be taken of the proposed re-organisation of the present Directorate of Inspection in the manner indicated above to bring into this Directorate those Secretariat branches which are at present concerned with inspection, investigation and prosecution, so that unnecessary duplication of work between the Directorate and the Secretariat branches may be avoided. The details of the set-up will no doubt be examined by the Department of Company Affairs. We, however, suggest that it may facilitate decision-making and the implementation of decisions if the Senior Officers of the Directorate, as proposed to be reorganised, are given appropriate Secretariat Status.

The Regional Directors or the Registrars should not be relieved of their work relating to the investigation and prosecution of relatively small cases of local importance. They will continue to be responsible for the handling of such cases, but here as in the case of inspections, they will be entitled to call upon the technical help and guidance of the new office in all important cases or even in regard to other cases where they feel that such help is needed by them.

Section 336 B confers on the Central Government the power to refer cases against managerial personnel to a court of law. If our recommendation relating to the formation of a Companies Tribunal is accepted, we suggest that all such cases should be referred to that Tribunal.

It is clear to us that, in order that effective use can be made of this section, it is unnecessary for the Administration to formulate clear-cut objectives and policies on this matter, to see that summary procedure

has been evolved for dealing with such cases and that a properly Constituted Tribunal manned by qualified and experienced persons with adequate knowledge and understanding of company methods and practices who are in a position to pronounce with authority on issues of business ethics and morality has been set up.

We suggest that in cases of employees who might be called to give evidence in petitions under Sections 397 and 398, the period of protection given under Section 635 of the Act should be limited to a period of five years from the date of the conclusion of the proceedings before a Court of Law or Tribunal or the submission of the report by the Inspector whichever may be later. We agree that this limitation on a company's power to punish its employees cannot be construed as an unreasonable restriction as it merely subjects the company's action to a review by the Central Government. Further, it will be open to a judicial authority i.e., the appropriate High Court or a Tribunal to review Government's objection on an appeal to it. This will, we hope, ensure that the interest of management are not unduly affected.

We feel that there is still need for a good deal of more intensive home work in the Department of Company Affairs on the guiding principles relating to some of the discretionary powers vested in the Administration.

We consider that these guiding principles should be disseminated among the members of the business community as widely as possible.

We suggest that the following steps may be taken in regard to these guiding principles :

(i) The representatives of the interests likely to be affected by the use of discretionary powers should be informally consulted before the guiding principles are finally drawn up the Department ;

(ii) These principles should thereupon be brought to the notice of all recognised Chambers of Commerce and Trade Associations including the Trade Unions and Consumers Associations where they exist.

(iii) Adequate publicity through the departmental publications, the Press and by other means should be given to these guiding principles ;

(iv) The Regional Directors and Registrars of Companies in the different States should explain these guiding principles at formal or informal meetings to all those who may be affected by them in the leading centres of trade and industry within their jurisdiction.

We consider it very important that the Annual Reports submitted to the Parliament from year to year should be debated fully, within the limits of time available for this purpose, having regard to the exigencies of Parliamentary business. Parliamentary Vigilance in such matters should be reasonably effective and not

Regional Directors without delay.

We recommend that some of the powers vested in the courts of law should also be advantageously transferred to the Regional Directors. We mention a few of them by way of illustration only :

Section 17. Amendment of the Memorandum of Association of Company.

Section 17. (Subject to such guiding principles as the Department of Company Affairs might lay down).

Section 141. Rectification of the Register of charges and extension of time for registration.

Section 163 (vi) Order compelling immediate inspection of documents when refused.

Section 234-A. Sanction to the Registrar of Companies for Seizure of Company records (on the lines of similar powers given to Collector of Customs under the Customs Act).

Section 240-A. Sanction to Inspectors for Seizure of records (Similar to powers given to the Collector of Customs under the Customs Act).

In regard to Sections 234-A and 240-A of the Act, the Department of Company Affairs may lay down detailed guidelines for the use of Regional Directors and further require that a short statement of cases should be sent to the Department before the necessary sanction to the Registrars and Inspectors is given. An Amendment of the Act would be needed to give effect to our suggestion about the transfer of powers from the courts to the Regional Directors. This will provide to all those who are interested in or concerned with this subject with a reasonable opportunity for debating the issues of policy involved in our recommendation.

If our recommendation for the unified administration of Companies Act and other related subjects, to which we refer previously of this report, and for the establishment of a comprehensive ministry at the Centre, dealing with all these subjects is accepted, we anticipate an appreciable addition to the load of work in the Office of Regional Directors and Registrars of Joint Stock Companies, particularly at the higher levels. These offices will in that event require not merely. Some quantitative addition to their staff strength but also a better calibre of personnel in their higher ranks. Further, if the administrative responsibility for supervising the work of the Official Liquidators is to be increasingly transferred from the courts to the Regional Directors, this will also call for a sizeable strengthening of the staff strength in the regional offices of the requisite competence. This is a subject which has to be examined in some depth, on the basis of facts and figures and the relevant statistics relating to the existing staff strength in these offices. It is important that this study should be undertaken by a high power departmental committee under the Chairmanship of the

Secretary of the Department as soon as a decision on the major policy issue raised by us has been taken.

We fully endorse the observations of the Estimates Committee of Parliament contained in their 53rd Report, 1963-64, in which they commented on the excess fee-earning of the Department and suggested that as the amount of fees realized from the joint stock companies during the previous three years had far exceeded the amount of expenditure on the Administration of the Companies Act, the question of crediting the excess revenues to a special fund for the purpose of undertaking research in corporate matters and in imparting training to company accountants, company secretaries, etc., might be examined. The expenditure on the additional staff strength which we have suggested for the offices of the Regional Directors and the Registrars would be legitimate charge on the surplus of the fee-income earned by the Department.

Closely allied to the question of staff strength is that of improving the quality of the officers and the senior staff not only in the Regional and the Registrar's Offices but also at the headquarters of the Department of Company Affairs itself. If the Department and its Regional and State offices are to be fully prepared for and geared to the additional responsibilities which we visualise for them, it is essential that arrangements for systematic periodical in service training and orientation courses for the officers and staff of the Department should be made.

At an earlier stage in the history of the Department of Company Affairs, a close link had been forged between the Department of Company Law Administration and the Institute of Management at Ahmedabad and Calcutta and the staff college at Hyderabad and some Private Commercial Training Institutes in Bombay and Madras. These links should be revived, and a continuing system of training and periodical orientation courses should be organised and programmed for.

So far as the managerial personnel needed for Public Sector Undertakings is concerned, we consider that there is need for close collaboration between the Department of Company Affairs and the Bureau of Public Enterprises.

If our recommendation for a comprehensive Central Ministry to deal with the Companies Act and all other related subjects is accepted by Government the need for such collaboration would be inescapable. It is not enough that the Secretary or some other Senior Officer of the Department of Company Affairs is a member of the Co-ordinating Committee which functions as the governing body of the Bureau of Public Enterprises. It is also necessary that the work of the Bureau in regard to the recruitment, training and placing of managerial,

legal and accounting personnel of Companies is closely integrated with the activities of the Department of Company Affairs in this area. This Department should be closely associated with accountants and also with the problems of management of companies and should be in a position to offer the necessary technical advice and guidance to the Bureau in the formulation of its plans and programmes in regard to the recruitment and training of specialised managerial personnel concerned with management.

One aspect of the type of integration between the Bureau of Public Enterprises and the Department of Company Affairs which strikes us as being full of administrative potentialities is the better utilisation of the accounting, legal, financing and other experts who are now in the Company Law Board Service, not only in Public Enterprises but also in other branches of Administration.

We are convinced that there is a strong case for bringing all the related subjects, viz., capital issue control stock exchange, financial corporations, including the Industrial Finance Corporation, the State Finance Corporations, the Industrial Credit and Investment Corporation of India, etc., and the profession of accountancy, under one administrative roof. The case is so overwhelming that any marginal advantages which now accrue to some of the other secretariat departments from the present haphazard distribution of subjects among them are more than offset by the serious damage caused to the administrative effectiveness of these measures by their fractionated administration in different ministries. Government can never expect to produce any impact on the corporate sector if different governmental or quasi-governmental agencies continue to pull at each other and fail to evolve a coordinated and integrated policy under which alone the different types of administrative weapons in the departmental armouries of Government can be wielded purposefully for the purpose of achieving the common objects and goals of all these agencies.

While we do not feel called upon to pronounce on the claims of any of the existing Ministries to these subjects, we are convinced that in the interest of the efficient and purposive administration of not only the Companies Act but also of the other related enactments dealing with the Stock Exchanges, the Industrial Financial Corporation, the Life Insurance Corporations, and the Unit Trust together with these institutions must be administered under the broad policy guidance of one and the same Ministry.

We consider that the authorities of all financial and financing institutions should try to evolve a comprehensive and coherent policy as to their duties and responsibilities, as important shareholders in the large number

of joint stock companies in which they invest their funds.

We are clear in our minds that it would not be feasible for these Institutions to take the desired initiative in regard to all matters, relating to their rights and duties as investors, much less to evolve common and concerted policies, fitting into their operational methods and practices, unless all of them are brought under the administrative policy guidance of one and the same Ministry in the Government of India. We, therefore, strongly recommend that all these subjects and agencies should be brought under one administrative roof in the Central Secretariat without avoidable delay.

When the integrated Ministry which we recommend has been set up, Government should also consider the desirability of transferring to it, those provisions of the Industrial (Development and Regulation) Act which deal with the investigation of companies in distress.

The laws which deal with the organisation, structure and management of other institutions, e.g., the provisions of the Banking Laws (Miscellaneous Provisions) Act relating to the Management of Commercial Banks and banking institutions, should also be administered in close consultation and collaboration with this integrated Ministry, so that, as far as possible, uniform regulatory policies in regard to the structures and functions of all joint stock companies may be evolved and unnecessary duplication or regulatory work in the different Ministries may be avoided.

We suggest, that, pending consideration of this recommendation relating to a comprehensive view of the activities of the Financial Institutions, Government should forthwith initiate measures to provide for the maximum possible degree of consultation and co-ordination in the working of these institutions and agencies in all important commercial areas of this country, and to a limited extent by the inter-change of personnel among these institutions whenever opportunities for such inter-change arise. The duties and responsibilities of the Suggested Standing Committees should be laid down with reasonable precision, and the heads of these institutions should be encouraged to associate with one another freely, as administrative experts and specialists, without being hindered by their departmental or ministerial attachments.

If the Central Government is to guide official liquidators effectively in future and if winding up proceedings are to be expedited, it is necessary to strengthen the staff now attached to the offices of the official liquidators and to improve their quality.

The law requires the preparation of a report by the official Liquidator for submission to the Court, stating that the affairs of a company voluntarily wound up

have not been conducted in a manner prejudicial to the interest of its members or to public interest. We recommend that the law on this subject be suitably amended to relieve the liquidators of this additional burden of work which they can hardly carry. In our view, this important work of an investigational nature should be undertaken by the Department through its regional and state organisations only in the case of public companies, and also of these public companies which have been converted into private companies.

We consider the present administrative arrangement regarding internal audit teams for liquidation matters to be salutary and desirable, but would suggest that the Audit Officer for each region should be a person of sufficient seniority and standing to be able to discuss matters on an equal footing with the Official Liquidator. We trust the Official Liquidators would also look upon the Audit Officers as their colleagues in a common task, and not as outsiders imposed on them. We also suggest that instead of one unit for the Southern and Northern regions combined separate units for every region should be provided in the interest of administrative efficiency.

Certain powers in respect of liquidation proceedings which are now exercised by the High Courts in Chamber could, without much damage to the basic principles underlying these provisions be transferred to the Central Government.

We would recommend that all other powers relating to the winding up of companies should be exercised by the Company Tribunals which we propose should be set up in the principal administrative regions of this country.

We are convinced that it is most desirable that administrative tribunals should be set up at least in the more important commercial centres of this country, and that an appellate administrative tribunal with some limited original jurisdiction, might with advantage be set up at the seal of the Central Government to handle and dispose of the increasingly large number of company cases which are now referred to the courts of law. The jurisdiction of these administrative tribunals might also include adjudication of cases falling under other Acts which are directly or indirectly concerned with the working of the corporate sector.

In the light of our thinking on the subject and the evidence that we received from many quarters, we are clear in our minds that the reasons for the failure of the first Companies Tribunal to realize the expectations of its sponsors do not in themselves rule out the case for the setting up of a properly constituted administrative Tribunal with Branches situated at the various Regions to which the powers of the court conferred under the various Sections of the Companies Act.

Could be transferred for final disposal, with a provision for appeal to an Appellate Administrative Tribunal at Delhi on questions of fact and law, and in special cases, a further appeal to the Supreme Court only on fact that only a highly selective membership of the Tribunal reflecting the type of varied competence needed for dealing with complicated business issues, aided by a carefully worked-out procedure could be expected to ensure the successful working of any Tribunal. Unless these conditions are fulfilled, we see little possibility of any such Tribunal producing the results expected of it.

We trust that our suggestion for an in-built alternative remedy by way of appeal to an Appellate Administrative Tribunal at the Centre, and for a further appeal on questions of law to the Supreme Court of India will be found to be in accordance with the accepted canons of limitation on the exercise of the prerogative writ jurisdiction and the High Courts will not be called upon to interfere in company cases in exercise of their extraordinary powers.

While it is clear that several provisions of the Companies Act cannot be usefully applied to Government Companies as defined under the Act, our general view is that the Act should apply to Government Companies in the same way as it applies to the non-government companies; otherwise, the already existing incipient feeling in business circles that there is undue discrimination in favour of Government Companies will further grow.

If the management of Government companies or the administrative departments dealing with them consider that certain specific provisions of the Companies Act should not apply to them, it should be for them to make out a case for exemption of such Government Companies from those provisions. Section 620 of the Companies Act enable the Central Government to modify the Act in relation to government companies in the manner indicated in that Section. One of the requirements of the Section is that copies of necessary notifications exempting Government companies from the provisions of the Act must have the approval of the two Houses of Parliament. We think this is a salutary requirement and Government companies should have no difficulty in complying with this procedure.

We were told that neither in the formative nor in the operative stages of Government companies did the administrative department of such companies maintain as close contacts as they might be expected to have with the Department in charge of the administration of the Companies Act. If our recommendation about the need for close co-ordination of work between the Bureau of Public Enterprises and the Department of Company Affairs is accepted, this, we hope, will ensure

much closer co-ordination between government companies and the department concerned with the administrative of the Companies Act.

An important point made by some witnesses to ensure quick disposal of cases was that suitable target dates should be fixed for this purpose. We understand that detailed time-schedules have been laid down for the processing of cases under different Section of the Act and for their final disposal within the time limits set in the schedules. In this connection we recommend that :

(a) These time schedules for different classes of cases should be widely made known to the business community;

(b) The Under-Secretaries and Deputy Secretaries concerned should keep a close watch on the business community;

(c) In all cases of appreciable deviation from the targets, they should be brought to the notice of the joint secretaries and the secretary of the department depending on their importance;

(d) Suitable administrative action on undue delays in the disposal of cases should be taken against the officers and staff concerned; and

(e) In the Annual Report on the administration and working of the Companies Act for the previous year, a list of cases where there has been a substantial deviation from the target dates fixed for them should be conveniently reproduced.

It was suggested to us that a uniform accounting year should be prescribed for all companies. We consider that the time has now come when companies should be required to fall in line with this suggestion from such suitable future date as government may prescribe in consultation with the industrial and commercial associations. A beginning towards this end may be made by requiring at least all companies falling under the same industrial classification to conform to one uniform accounting year. In the second stage of progress, the same accounting year for all companies could be fixed from a convenient future date, may be within two years from now.

It was suggested to us by Shareholders Associations and by several spokesman of the Stock-Exchange that public companies listed on the exchanges should be required to publish at least half-yearly reports on their work and accounts, if not quarterly. We have little doubt that this will help to encourage investments in company shares and debentures. We would also recommend a simplified version of the accounts to be devised in consultation with the profession of accountancy to be made available along with the half yearly reports, leaving the details to be provided along with the annual reports as at present.

We consider it essential that all 'diversified' public companies should be required to prepare separate accounts for the different lines of business carried on by them, so that the performance of the different units in such companies may be known and made available on request to shareholders and Registrars of Joint Stock Companies.

We consider that it is very desirable that the Directors' Reports for 'diversified' companies should invariably include brief accounts of the performance of the different units in such companies so that their actual performance and their problems and difficulties, if any, may be made known to their shareholders.

As regards the accounts of group companies, we recommend that a consolidated statement of the accounts of all companies within a group should be prepared. Such Companies should not thereafter be required to attach the accounts of its subsidiaries along with its own accounts. It should, however, be open to any shareholder of the holding company to ask for the accounts of any or of all the subsidiary companies and it should be the duty of the holding company to make these documents available to such shareholders.

We accept the suggestion of the Controllor of Capital Issues that the Reserve Bank should not specifically issue a permit to any foreign company to establish a place of business before any such company is registered in this country. We also recommend that the adequacy of the provisions of the Companies Act, 1956, in Part XI should be examined afresh in order to consider how more effective supervision could be exercised over the activities of foreign companies operating in India.

It has been brought to our notice that many foreign companies working in India are foreign only to the extent of their place of incorporation; there is nothing in the Companies Act, 1956 which could ensure that the business of these companies is carried on in conformity with the basic principles underlying our Company Law. In our view, therefore, this problem relating to foreign companies this type needs to be re-examined urgently against the background of our general economic policy relating to the role of foreign business and investments in India.

In particularly, having regard to the necessity, increasingly brought home to us in recent months by the exigencies of our current and foreseeable foreign exchange budgetary position, for an objective balancing of the benefits and costs of foreign participation in joint ventures, we feel that an important object of our future policy in this area should be to safeguard the position and powers of the Indian partners in joint venture and to ensure that their States and authority as the 'management on the spot' are not undermined. For

this purpose we would suggest that suitable provisions in the Companies Act, 1956, may be incorporated on the analogy of the provisions of Section 409 of the Act to ensure that the control over the management of joint venture by their Indian partners is not affected in consequence of changes in shareholding brought about merely as a results of market operations.

Several shareholders' association claimed before us that it was time that Government 'recognised' them in the same way as government had recognised the stock exchange. We are in sympathy with this demand and consider that government should initiate a system of recognition, after consultation with the leading shareholders' associations in Calcutta, Madras and Bombay.

In view of the few cases of the alleged issue of forged shares which have come to our notice, we would, strongly urge that suitable provisions should be made in the Companies Act to facilitate quick adjudication of conflicting claims of shareholders of the companies concerned, so that the interests of the companies do not suffer and they may not needlessly become involved in prolonged litigation resulting in liabilities which may financially cripple them.

It is clear to us that some summary procedures for dealing with such tangled webs of claims and counter-claims in cases of this type must be devised within the frame-work of our company law. We, therefore, recommend that Section 155 of the Company Act, 1956

should be suitably amended and elaborated to enable an appropriate authority to settle such disputes finally. If our recommendation for the establishment of a Tribunal for dealing with company cases is accepted, a matter of this type must necessarily be referred to this body.

The detailed procedure to be followed by the company management for the Issue of Share Certificates has also been laid down in the companies (Issue of Share Certificates) Rules, 1960 which provides reasonable safeguards against the issue of spurious duplicate shares. Nevertheless, there is need for adjudication of the conflicting claims in those cases where disputes arise as to the authenticity of sharescripts. For this latter purpose, some special amendment of the provisions of the Companies Act is needed. For the reasons which we have already mentioned, we do not think any special legislation is necessary as we consider that the scope of Section 155 of the Companies Act is wide enough to offer sufficient jurisdiction to a court of law or to a Company Tribunal to adjudicate on the type of issues of conflicting rights and claims which have been discussed.

We recommend that the Reserve Bank of India should examine the feasibility of requiring scheduled banks which advance loans exceeding, say, Rupees five lakhs to any one borrower, against shares, to furnish the essential particulars to the Reserve Bank of the scrips pledged with them.

## **ADMINISTRATIVE REFORMS COMMISSION, WORKING GROUP ON POSTS AND TELEGRAPHS, 1967—REPORT**

Delhi, Manager of Publications, 1969. 112p.

Chairman : Shri Ram Kishan.

Members : Shri S.M. Joshi ; Shri N.R.M. Swamy ;

Shri M. Dayal ; Shri S.K. Kanjilal.

Member Secretary : Shri L.K. Narayanswamy.

Joint-Secretary : Shri A.V. Seshanna.

### **APPOINTMENT**

The Working Group on Posts and Telegraphs was constituted by the Administrative Reforms Commission on August 16, 1967 to examine and report on certain aspects of the administration of the Postal and Telecommunication services in the country.

### **TERMS OF REFERENCE**

"The Working Group will examine the administrative structure and the working procedures of the Posts and Telegraphs Department and suggest reforms with a view to securing greater efficiency in the services provided to the community, consistent with economy in expenditure. For this purpose, the Working Group will, in particular, examine :

(i) The constitution, functions and powers of the P & T Board ;

(ii) Whether the Postal Department should be separated from Telecommunications ;

(iii) Whether it would be desirable to convert it into a corporation or a public sector undertaking either the P&T Department as a whole, or the Telecommunications Branch alone, or any specific units of the Department ;

(iv) Whether delegation of powers and the definition of responsibilities at different levels within the Department is adequate ;

(v) The policies and procedures relating to recruitment, training, promotion, maintenance of discipline and provision of incentives for good work ;

(vi) Machinery attending to public complaints and redressal of public grievances ;

(vii) Performance of the various production units serving the P&T Department ;

(viii) The procedure for purchase and distribution of stores and equipment required for maintenance as well as expansion projects ;

(ix) The adequacy of the procedures for the supply of forms and stationery ;

and make suitable recommendations.”

## CONTENTS

Introduction ; Origin and Growth of the P&T Services ; Outline of the Present Organisation ; The P&T Board—its Functions and Limitations ; Separation of Posts and Telegraphs ; Desirability of Establishing a Corporation ; Reorganization of the P&T Board ; Finance and Accounting ; Role of the Department of Communications ; Our Recommendations—A Summary ; Appendices from I to IV.

## RECOMMENDATIONS

The Posts and Telegraphs Department has now become a vast undertaking. It employs over five lakh persons with a capital investment of over Rs. 300 crores. Its revenues exceed Rs. 200 crores, with an expenditure, roughly of the same amount. Besides, the postal and telecommunication services, especially the latter, are on the threshold of a period of big expansion. The public have, therefore, a vital interest and a big stake in the efficient and economical functioning of the P&T Department. The administration of the services which it provides is a challenging task and will grow more challenging in the years to come.

It is necessary to devise and give the department a pattern of top management which is geared to the satisfactory accomplishment of this task.

In its present form, the P&T Board has proved ineffective due to the inadequacies in its structure and powers, and defects in its working procedures. The structure is monolithic and does not permit delegation of authority. The members are of different rank, the Chairman holding the highest rank. This inhibits free

and frank discussion of problems. The nature of financial control exercised is also unsuited to commercial operations. There are delays in decision-making and there is no scope for the display of initiative and drive on the part of individual Members of the Board. It is, therefore, necessary to equalise the rank of all the Members.

There is no case for the separation of telecommunications from posts at the present stage of their development. The combined administration of the two branches has been tested over half a century and has, on the whole, worked well and stood the test of time. No concrete instances of how the combination had affected either the development or the efficiency of the telecommunications wing were brought before us. Such defects as are manifest at the present time are due to the defective organization of the P&T Board and not so much to the combined administration of posts and telecommunications. The separation of telecommunications from posts is likely to retard the extension of telecommunication facilities to the rural areas. In most of the countries posts and telecommunications have grown up together and are even now being administered together. In some countries where the development of either service is far greater than what obtains in India, it is only now that thought is being given to the question of separation. There may come a time within the foreseeable future when the two services in this country become so unwieldy that separation may have to be contemplated. That stage may not be reached for quite some considerable time. The present regional organizations on the telecommunication side could be strengthened to enable them to exercise overall technical supervision over the Circles and the Districts.

The postal and telecommunication services should continue to be administered together, because a separation is neither warranted nor advisable at the present stage of their development. On the other hand, full advantage should be taken of the economies which combined working makes possible.

There is no advantage in converting into a public corporation, either the P&T Department as a whole, the Telecommunication Wing, or any parts or units of the Department. Some organization changes are necessary in the interests of greater efficiency, but these can be made even within the existing framework of a Government department. We do not consider the corporation form of organization as a suitable one for a public utility with a country-wide network, in the conditions which prevail at present. On the other hand, we apprehend that conversion into a Corporation will bring in its wake accreted labour problems and increase in rates, which is not in the



public interest.

The Postal and Telecommunication services should continue as a Government department and should not be converted, either wholly or in parts, into a public corporation.

The P&T Board should be reorganized. The reorganized form should satisfy the following conditions :

(a) Those who are required to advise the Minister on P&T policies, have themselves to be masters of their subject-matters and possess a close knowledge of the men who run the services.

(b) It should recognize the fact that the work at the top level in the P&T is so heavy and varied that it is beyond the capacity of a single individual.

(c) It should divide responsibility into convenient spheres.

(d) Those in command should have the authority which must necessarily go with their responsibilities.

(e) The conditions under which this organization has to work should be such as would enable prompt exercise of the authority.

These requirements will be met only by a Board form of organisation which must, at the same time, have the full powers of a Ministry, but freedom from normal governmental control.

The P&T Board should be reorganized as a compact body of only three members instead of the present seven. One Member should be in charge of the Postal and Agency Services ; the second should be in charge of all the Telecommunications Services including Overseas Communications, and the third should be the Financial Adviser and the Head of the Finance and Accounting Services. The Members should exercise the powers of Government within their respective spheres in a manner identical with the Members of the Railway Board.

While the Members should be fully responsible to the Minister for Communications in respect of their particular branches, they should be relieved of the burden of day-to-day administration by affording them assistance at the level of additional members.

There should be three Additional Members one each for postal and agency services, for telecommunications services, and for Administration so as to relieve the Members of the Board of the work connected with day-to-day administration and to enable them to concentrate on matters of policy, which is their primary concern.

In the pattern we have suggested there will be no need for a separate post of Chairman P&T Board. However, since the Board will require a chief spokesman, the Member (Posts) and the Member (Telecommunications) should function as Chairman by turn. This

will be in addition to their responsibility for their particular branches.

A convention should be established by which the Member (Posts) and Member (Telecommunications) function as Chairman, P&T Board by turn. The same procedure will be followed for the post of Additional Member (Administration).

The decision of the Board will be on the basis of the majority vote. In cases where the Chairman disagrees with the majority decision, he should have the power to overrule that decision ; but all such cases will have to be reported to the Minister.

The Chairman of the P&T Board should be vested with the power of overruling the majority decision of the Board, in case he disagrees with it. But such cases should be reported to the Minister.

A separate P&T Board Secretariat Service should be established on the lines of the Railway Board Secretariat Service and provision made for inducting staff from field offices to the Board Office

The recognized P&T Board should be set up by an enactment of Parliament, on the lines of the Indian Railways Board Act of 1905.

The post of Director-General, P&T should be abolished and, as a consequence, the designations of the officers below the level Additional Members should be suitably altered.

We suggest the designation 'Director' for the present Deputy Director-General, 'Joint Director' for the present Directors and Deputy-Chief Engineers, and 'Deputy-Director' for the present Assistant Directors-General and Assistant Chief Engineers.

Unless the P&T becomes master of its own finances, a healthy approach to the problems of management and a commercial outlook will not develop. The existing setup not only leaves the Department and its Officers powerless to meet the growing challenges of day-to-day administration, but, at the same time, encourages a sense of complacency all round. The public expect a prompt service which is not unduly rule-ridden and prudent expenditure, which is not cramped by too much caution. The existing system of financial controls in the P&T makes this impossible and should undergo a radical change.

The existing system of financial control of the P&T is not very different from the traditional controls exercised by the Finance Ministry. The P&T Board, as it exists at present, does not have even the powers of other Ministries, though the commercial nature of its operations demand a much greater degree of financial autonomy. This situation is entirely inappropriate to the efficient functioning of the P&T Services and to any effort at real economics. Some basic changes are, therefore, needed.

The P&T finances should be separated from the general revenues. The P&T budget should be presented separately by the Minister of Communications to Parliament. Virtual financial autonomy, of course, under full Parliamentary control, should be conferred on the P&T Board.

As a concurrent measure, certain financial objectives should be laid down for fulfilment, such as that the revenues of either of the two Branches shall not be less than sufficient over a period of years to meet the expenditure, that there is a steady and responsible return on the capital employment after meeting all the liabilities, that the tariff shall continue to be determined taking all such relevant factors into consideration, including the necessary for generating surpluses for optimum development of the services.

The Financial Adviser of the P&T Board, that is, the Senior Member (Finance), functions in a dual capacity—as an officer of the P&T Board, responsible to the Minister for communications in all internal financial matters, and as an officer of the Finance Ministry, responsible to the Minister of Finance in external financial matters. The position is similar in respect of his Subordinate Officers of the Finance Advice side. This system of Financial Adviser should be completely identified with the top management of the P&T Services. The same would apply *mutatis mutandis* to his subordinate officers. The difference which is now made between internal and external finance matters should be removed.

In the reorganized Board the Member (Finance) should be responsible to the Minister for Communications. He should function in all respects as the Financial Commissioner does in the Railway Board. In cases where he is not able to agree with the majority decision of the P&T Board he should have the right to ask that such cases may be brought to the notice of the Minister for Communications or the Minister for Finance.

It is necessary that the P&T Board is vested with full powers of Government with regard to its finances in the same manner as the Railway Board. The return for capital financed by Government should be regulated in the same manner as is applicable to the Railway Board.

At present there is no financial awareness on the part of the Circles, since the accounting function is discharged by a body outside the Department and is centralised. It is necessary, in order to develop the correct management practices, that the Department should take over the accounting functions, pertaining to it, from the C&A.G. A start has already been made for the telecommunications services.

The accounting function should be separated from

the audit function and taken over by the P&T Board itself as soon as possible. The accounting function should be decentralised and the accounts maintained in a form which will subserve the purposes of budgetary, financial, and expenditure control, in a commercial enterprise.

At present the P&T has no regular Accounts cadre or its own. The take-over of the accounting function will require a regularly constituted P&T. Accounts Service which is entirely under the control of the Department. The officers of this Service should be responsible both for accounting and financial advice.

A P&T Accounts service should be established on the lines of the Accounts cadres of the Railways and the Defence Department. A beginning may be made in its constitution by seconding officers from the Postal and Telecommunication Wings, with a flair for accounts work. Till such time as it is firmly established, the services of officers of the Accounts Cadres, preferably of the Railways, may be utilized.

With the abolition of the D.G.P.&T. as a separate entity, the powers vested in that authority should devolve on the Circles, except where they have an all-India bearing. The exercise of these powers should be absolute and not dependent on financial advice or concurrence.

The powers of the P&T Board itself should be devolved, to the maximum possible extent, on the regional formations and the services of Financial Adviser made available to the regional heads for the exercise of these powers.

The Members of the reorganized Board will exercise full powers of Government, assisted by the Additional Members. Keeping in view their high responsibilities, the members should be given the rank and status of Secretaries to the Government of India, and the Additional Members, that of Additional Secretaries.

The P&T Board has a vital interest in the performance of the Indian Telephone Industries, the Hindustan Teleprinters, and the Hindustan Cables. The overwhelming bulk of the products of these factories is consumed by the P&T. It is, necessary, therefore, that the P&T Board should have an effective say in the management and fortunes of these undertakings. It will make for better coordination if the Secretariat control of these units is transferred to the P&T Board.

The control now exercised by the Department of Communications on the Indian Telephone Industries and Hindustan Teleprinters and by the Department of Industrial Development on the Hindustan Cables should be transferred to the P&T Board.

There is an intimate link between the working of the O.C.S. and the domestic telecommunications network.

The latter does all the terminal work and provides domestic circuits necessary for overseas communications. It also handles complaints regarding overseas traffic. The techniques employed in overseas and domestic telecommunications are similar. It is, therefore, but proper that the Overseas Communications Service is merged with the P&T Board.

The control of the Overseas Communications Service should be transferred from the Department of Communication to the P&T Board:

Similarly, the work of the Wireless Planning and Coordination Branch of the Department of Communications is closely allied with that of the internal telecommunications. This organization can be brought under the P&T Board when the Department of Communications is abolished.

The Wireless Planning and Coordination Organization of the Department of Communications should be brought under the P&T Board.

With the transfer of the Wireless Planning and Coordination Organization, the Overseas Communications Service and the transfer of the control of the Indian Telephone Industries and the Hindustan Teleprinters to the P&T Board, there will be no function left with the Department of Communications.

The Department of Communications should be abolished.

The Wireless Adviser should be fitted into the P&T Board Organisation as the Deputy Director-General (Wireless and O.C.S.) There is, at present, a Controller and Telegraph Traffic in the D.G.P.&T's office. We propose that the rank of this post should be raised to that of a Deputy Director-General, so that telegraph traffic problems will get better attention. In the reorganization we have suggested there will be sixteen Deputy Directors-General, which means a net addition of only two posts. We envisage the Deputy Director-General as the driving force in the organisation, the responsibilities of these posts should be recognized by attaching a special pay of Rs. 250 for nine of the posts which will be designated as Directors and grading the remaining seven as Joint Secretaries to the Government of India.

There is, at present, a distinction made between one Director or Deputy Chief Engineer and another in the matter of special pay. This distinction is not justified and all the Directors and Deputy Chief Engineers, who will be later designated as Joint Directors, should receive a special pay of Rs. 200.

## ADMINISTRATIVE REFORMS COMMISSION, WORKING GROUP ON FINANCIAL RULES, 1967—REPORT

New Delhi, Administrative Reforms Commission, 1968. 132p.

Convener : Shri N.S. Pandey.

Members : Shri K.R. Prabhu; Shri P.K. Sen;  
Shri J.C. Luther; Shri N.N.K. Nair;  
Shri V.P. Mithal; Shri P.V. Vasudevan;  
Shri R.K. Rangan.

### APPOINTMENT

The Administrative Reforms Commission appointed the Working Group on Financial Rules vide its Memo dated August 31, 1967.

### TERMS OF REFERENCE

The Group will review and examine the existing financial rules, regulations, manuals and make suggestions for their improvement and for this purpose the

Group will in particular consider :

(a) Improvement in the rules to bring them in line with the existing system and procedures.

(b) Simplification of the rules and procedures with a view to (i) enhancing the comprehensibility of the rules generally; (ii) minimising the difficulties of interpretation (iii) reducing the paper work in Government Departments and Organisation; (iv) minimising audit objections; and (v) facilitating their smooth application and operation.

(c) Their rationalisation and consolidation, if necessary, into manuals and book of reference.

### CONTENTS

Introduction; Historical Background; Rules on

Service Conditions; Rules on Expenditure Control; Treasury Rules and Account Codes; Delegation of Powers in the Central Public Works Department; Procedure for Approval and Sanction of Works; Payment to Contractors; Conditions of Contract in the Central Public Works Department; Working of Divisional Offices in the Central Public Works Department; Arbitration and Litigation; Delegation of Powers in the Directorate General of Supplies and Disposals; Delegation of Powers in Printing and Stationery Department; Codification of Rules; Some Suggestions on Rules; Acknowledgements; Summary of Recommendations and Conclusions; Appendices from I to III.

## RECOMMENDATIONS

### Rules Relating To Service Conditions

The rules relating to service conditions, though well-suited to meet the needs of the time, have now become outmoded and obsolete in many respects and they suffer from several deficiencies. They are heavily overladen and interspersed with executive and administrative instructions. They have not been put into proper trim and properly codified. Some of them contain provisions regarding matters on which separate self-contained sets of rules have since come into existence. They contain references to authorities or subjects which have ceased to exist. A thorough review of these rules, is, therefore, called for with a view to rationalising, updating and bringing them in line with the constitutional and administrative set-up.

It has been noticed that while financial powers are delegated in a liberal measure by the rules to subordinate authorities, conditions are subsequently prescribed and restrictions imposed with regard to the exercise of these delegations. This is an unhealthy practice. The delegations once made by rules should not be whittled down or rendered infructuous by the subsequent instructions.

Any modifications or changes in the rules should be effected after proper thought and deliberation and after a decision has been taken to that effect, steps should be taken to notify widely the changes and to get the amendments incorporated in the current issues of the manuals without delay.

There is at present multiplicity of rules and regulations and there is a trend toward their proliferation. A uniform set of rules and codes should be evolved prescribing the basic conditions of service for all government servants working in a civil capacity. The general rules could, in exceptional cases, be suitably amplified and supplemented by special rules applicable to a particular department or service.

A comprehensive review and revision of those

portions of the C.S.Rs. which are still extant i.e. mainly the rules relating to the pensions should be undertaken and they should be incorporated in a consolidated form in a Code.

The procedural details relating to the payment of pensions should be kept at one place only, namely the Central Treasury Rules.

Whenever any new provident fund is to be constituted, Government should consider whether the existing rules as they stand could with suitable adaptations be applied to that fund. The feasibility of reducing the number of the Provident Fund Rules should be examined.

In the Fifth Schedule of the G.P.F. Rules, the reference to a head of department should be to the list as provided for under 2 (e) of Delegation of Financial Powers Rules and not to the list prescribed with reference Supplementary Rules 2 (10).

In the normal circumstances, the powers specified as delegated to a head of department should in fact be exercised by the authority and the exercise by a superior authority of the powers delegated to a subordinate authority should be deemed to be justified only in exceptional or unforeseen circumstances or in conditions of extreme urgency.

It is not a sound practice to delegate powers through statutory rules and place restrictions on their exercise by the subsequent issue of executive orders. The necessity of issuing any general or special orders of the President in relation to the delegation under the rules should be minimised if not eliminated altogether. The effort should be to amend the list of delegations for the purpose of specifying or incorporating the conditions or restrictions and not whittle them down by the issue of ad hoc executive fiat from time to time, without making the latter a part of the regular rules.

Where the power is delegated to a specific level of the administrative hierarchy or authority it should be insisted upon that the power is in fact exercised by that authority and all administrative steps be taken to ensure the implementation of this important public policy.

### Rules Of Expenditure Control

Keeping in view the recommendation and observations made by the Study Team on Financial Administration in regard to the delegation of Financial powers, the Working Group has examined these delegations and endeavoured to undertake a complete revision of the D.F.P. Rules, 1958. A new draft of these rules has been suggested by the Group in Annexure II-A.

The relevant rules in the G.F. Rs. have been gone into with a view to suggesting modifications in the existing financial powers. The recommendations made

by the Group thereon are contained in Annexure II-B.

In the light of the recommendations made by the Study Team on Financial Administration and the Administrative Reforms Commission, the Working Group has endeavoured to prepare a set of draft rules which may be called "The Government of India (consultation with the Financial Adviser) Rules 1968" (Annexure II-C). The draft of a letter of general instructions (laying down the guidelines for all concerned) to be issued by a central agency and forwarded to the Ministries along with these rules has also been attempted in Annexure II-D.

#### Treasury Rules And Account Codes

The existing Central Government Treasury Rules issued in 1941 have become out of date and they are not, in their present form, in step with the present day constitutional and administrative set-up. Our suggestions in respect of modifications/changes, etc., therein are contained in Annexure II-E. A fuller and more comprehensive revision of the C.T.Rs., is called for in order to bring its provisions in line with the present day arrangements and the existing administrative systems.

Some rules of the Central Treasury Rules called for substantial changes or deletion altogether. It has not been possible for the group to suggest in their case the precise form of amendment in the absence of the relevant facts or data. In such cases government might consider, in consultation with appropriate authority in each case, the precise form or shape which these rules should take or their deletion altogether, as the case may be.

Some amendments or modifications to the C.T.Rs. as suggested by the group might conceivably involve consequential amendments to, or changes in, other financial rules e.g. the Account Code Vol. II, the G.F.Rs., the C.P.W.A. Code, etc. The authorities concerned should intimate appropriate steps in this matter in due course.

#### Delegation Of Powers In The Central Public Works Department

In respect of purchase of stores, the Chief Engineers should be given full powers to issue proprietary articles certificates wherever considered necessary.

In case of extreme urgency which cannot brook delay, the Chief Engineers should be delegated full powers to make direct purchase of materials and stores, from whatever sources they consider advisable so long as the rates are either at par with or within the rates prescribed by the D.G.S. & D. for the same articles or articles of similar specifications for which there is in existence a rate/running contract of the D.G.S. & D.

The powers delegated to the Executive Engineers for the acceptance of single tender should be raised to Rs. 10,000 for sanction under their own power. The ceiling of Rs. one lakh upto which they are empowered to accept single tender with the prior approval of the next higher authority is quite adequate and need not be changed.

The powers of the Chief Engineers also for the acceptance of single tenders without the prior approval of the Central Works Advisory Board should be enhanced from the present limit of Rs. 15 lakhs to Rs. 25 lakhs.

The powers of the Engineering Officers at various levels for the award of works without call of tenders and by negotiations *ab initio* after infructuous call of tenders or with a firm which has not quoted, should be enhanced as follows :

Executive Engineer	Rs. 25,000.
Superintending Engineer	Rs. 1,00,000 for all works and Rs. 2.5 lakhs for runway works.
Chief Engineer	Rs. 5 lakhs for all works and Rs. 10 lakhs for runway works.

Disparity in the powers enjoyed by the Engineering Officers of the same level but working in different divisions should be removed and the officers of the same status should be allowed to exercise equal powers irrespective of the divisions to which they are attached. If there are strong reasons for having enhanced limits of maintenance works and lower limits for construction works, this delegation of powers should be with reference to the nature of works, viz., maintenance works and construction works irrespective of the Divisions in which such works are executed.

As the existence of the Central Works Advisory Board ensured that in the cases of works of a large value and of negotiated contracts, an independent examination was carried out jointly by the Head of the Department and the Ministries of Works, Housing and Supply, and of Finance which are represented on the Board, the Board should be retained. However, in view of the high increase in the cost of construction, the powers enjoyed by the Engineer-in-Chief/Chief Engineers for the acceptance of the lowest tenders without reference to the Board, should be raised to Rs. 40 lakhs from the existing limit of Rs. 25 lakhs. The existing monetary powers enjoyed by the Engineer-in-Chief/Chief Engineers in respect of the award of work by negotiation with the lowest tenderer other than the lowest or the acceptance of the tender other than the lowest, are considered to be adequate.

The present restriction regarding the employment of the temporary muster roll labour only through the

employment exchanges should be removed, in cases where the work to be undertaken is of an emergent nature or is located in remote or inaccessible areas. However, the existing limitations on the period of time upto which the muster-roll labour can be allowed to continue as they provide a safeguard against possible abuses.

All Assistant Engineers/Assistant Executive Engineers in charge of Sub-Divisional Offices should be given the powers of Disbursing Officers.

#### Procedure For Approval And Sanction Of Works

The administrative authorities should be empowered so as to be in a position to sanction minor works as now defined in the Central Public Works Account Code.

The powers should be delegated to the administrative ministries (including Ministry of Works, Housing and Supply) to issue 'expenditure sanction' in respect of major works costing upto Rs. 5 lakhs without reference to Finance. The present scheme of 'expenditure sanction' should be modified to this extent.

#### Payments To Contractors

The proposal that the payments in respect of the undisputed items need not be held up and these should be made immediately after the final bills are preferred may not be a feasible or sound proposition; besides this may not provide any significant relief or help to the contractors.

If the works are awarded after adequate planning when the detailed drawings, designs and specifications are ready and the tender documents drawn up are exhaustive and give complete details of the works awarded, the occasions for extra/substituted items cropping up would be reduced.

The sanction to the extra/substituted items as also to the rates accepted should be communicated within the time stipulated for this purpose.

The enhancement of the powers delegated to the various levels of engineers as indicated in Chapter VI will help in cutting out to a great extent the delays in the sanctioning of extra/substituted items of works.

The time schedule prescribed for communicating sanctions to the extensions of time for the completion of works, should be rigidly adhered to by the engineering personnel.

Many delays in the timely completion of construction projects and works would be avoided if they are awarded after complete and detailed planning, and if care and thought is bestowed on adequate planning and on the timely preparation of detailed drawings, designs and specifications before a project is put to tender.

The measurement of the completed portions of the works should be taken by the representatives of the

contractors along with the concerned P.W.D. officials, *pari passu* with the progress in the execution of the project. The measurement recorded in their books by both the parties should be verified side by side and the verification certificates given by the competent authorities simultaneously.

The relevant rules and procedures in the C.P.W.D. Code and the C.P.W. Account Code should be suitably amended in the light of the recommendations made by the working group.

Every case of delay in the recording of measurements, the issue of completion certificates or the passing of bills should be taken note of by the Superintending Engineer and the Chief Engineer during inspections. A special responsibility devolves on these senior officers for insuring effective implementation of the instructions regarding expeditious payments.

#### Conditions Of Contract

The conditions of contract and the contract forms have recently been sought to be revised and rationalised by the Sub-Committee/Working Group set up by the Planning Commission for the purpose. The changes suggested appear to be fair and reasonable and if accepted, will go a long way in the smooth functioning of the contracts and improve the execution of the civil works and the administration of the Department.

#### Working Of Divisional Officer

The procurement and distribution of materials, tools and plants, etc., required in the construction of works should be centralised by setting up suitable agencies in selected metropolitan cities.

With regard to the suggestion that the administrative control of the Divisional Accountant should be transferred to the C.P.W.D., the group is of the view that there are definite advantages in the cadre of Divisional Accountant being controlled by the Indian Audit and Accounts Department. Moreover, the Divisional Officers have at present adequate powers of control over the Divisional Accountant. The Group is of the view that the existing arrangement need not be disturbed.

The Working Group endorse the suggestion that in order to provide the Executive Engineer with better assistance and help in financial and accounting matters, the S.A.S. Accountant should replace the Divisional Accountant.

An internal audit wing should be set up as an experimental measure under the administrative control of the Engineer-in-Chief.

For processing the cases involving litigation, one or more Surveyor of Works may be attached to the Superintending Surveyor of Works Organisation. A regional counsel may also be attached to each unit of the

Superintending Surveyor of Works for tendering advice on legal matters and defending arbitration cases.

The Executive Engineers should bestow greater thought on and pay more attention to the introduction and use of new materials and the practical application of the scientific and technological advances in the field of civil engineering and construction works.

#### Arbitration And Litigation

A tribunal, on the lines, for instance of the Income Tax Tribunal, may be set up for settling the disputes arising between the C.P.W.D. and the contractors. All the cases of dispute should be referred to the proposed tribunal, whose decision should be binding on both the parties.

#### Delegation Of Powers In The D.G.S. & D.

The streamlining and rationalisation of powers in the D.G.S. & D. are necessary in the case of a few items and the following changes are, therefore, recommended :

(i) The powers of the Director-General to make purchase of proprietary stores and single tender basis under his own authority should be raised to Rs. 8 lakhs.

(ii) The powers of the Deputy Director-General and the Director-General in respect of the placing of contracts with unregistered firms should be revised to Rs. 6 lakhs and Rs. 10 lakhs respectively. In cases exceeding Rs. 10 lakhs the Director-General should exercise his powers in consultation with Finance.

(iii) In respect of price preference to indigenous products over imported stores where it exceeds 25 per cent, the Director-General should decide cases under his own powers up to Rs. 5 lakhs, in exceeding this limit, he should consult Finance.

(iv) In cases of extension of delivery period without reservation of Governments' right to levy liquidated damages and disallow increase in sales-tax custom duty, etc. We feel that greater care and caution should be taken and more intense scrutiny applied in the exercise of these powers. The purchase officers should, in all such cases, invariably take steps to consult Finance.

(v) The limits of the actual losses upto which the Director-General and the Deputy Director-General should be authorised to waive liquidated damages for delays in supplies should be raised to Rs. 2500 and Rs. 500 respectively.

#### Delegation Of Powers In Printing And Stationery Department

The existing powers delegated to the officers of the Printing and Stationery Department are out of date in many cases and need revision.

A thorough revision of the schedule of rates in the light of the prevalent price levels of the various articles should be undertaken at a very early date.

The C.C.P. & S. may be empowered to make purchases of items of plant and machinery essentially of an auxiliary character upto Rs. 50,000 per item at a time.

The General Managers and Managers of Government Presses should be delegated the powers to make purchases of small items of machinery and allied equipment up to Rs. 2,000 at a time.

The financial powers delegated at present in respect of the various items of printing job work and machinery, etc. reviewed and raised by the Working Group are indicated in the statement at Annexure III-D in Vol. II.

#### Codification Of Rules

For the purpose of rationalisation and simplification of the financial rules, specially those relating to the service conditions and also to bring them in line with the constitution and the laws in force at present, at high-powered codification committee, composed of the officers from the concerned ministries and organisation including the Comptroller and Auditor General's organisation should be set up. This should be headed by a officer of the rank of Secretary or Additional Secretary to the Government and adequate expert staff should be provided to this body. The revision of the rules should be completed by this Committee within a reasonably short period.

#### Some Suggestions On Rules

The duty and responsibility of bringing out and keeping revised and up-to-date the rules and regulations in financial matters as also of issuing amendments to the codes and manuals, should be specially assigned to the Ministry of Finance, where a cell on permanent basis should be created for the purpose. The cell may be headed by an officer to be designated as the Editor.

Conscious and organised efforts should be made in the direction of (i) imparting knowledge of, or providing training in, the rules to the various categories of civil servants (not only of the administrative grades but also of the clerical and junior executive grades) and (ii) making the updated and revised copies of the rules easily available to the public officials and the members of the public. The authorities concerned should devise suitable steps with this end in view.

The codes and manuals should be maintained on the 'loose leaf' system in tough and handy binders and amendments or additions should be issued by the Central authority directly to the authorities who are on the regular mailing list.

# COMMITTEE TO REVIEW THE FUNCTIONS OF THE CENTRAL WATER AND POWER COMMISSION, 1967-69—REPORT

New Delhi, Ministry of Irrigation and Power, 1969. 97p.

Chairman : Dr. S. Bhagavantam.  
Members : Shri M.R. Chopra; Shri K.P.S. Nair;  
Shri Moti Ram, Shri H.S. Bhatia;  
Shri K.G.R. Iyer.  
Secretary : Shri H. Ramaswamy.

## APPOINTMENT

The Committee was constituted by the Government of India in their Memo No. 19150/66-Administration 1. dated February 24, 1967 and subsequent Memo No. 19/50/66 Administration IV dated September 11, 1967.

## TERMS OF REFERENCE

(i) To review the organisational structure of the Central Water and Power Commission and to indicate the directions in which it needs to be reorganised or strengthened in the context of the increasing demands for specialised services viz., designs, standardisation of specifications equipments, etc.;

(ii) To examine how far the Central Water and Power Commission could be equipped to work as consultants to meet the demands for technical personnel from friendly foreign countries; and

(iii) to make such other recommendations as are considered necessary for improving the working of the Central Water and Power Commission in the discharge of its functions, with particular emphasis on optimum utilisation of personnel and avoidance of duplication of infructuous work.

## CONTENTS

Introduction; Inter-State Projects; Status and Composition of CW & PC; Functions of the CW & PC; Organisational Structure—Changes Recommended; Personnel—Problems Relating to Recruitment; Career Prospects, Pay Scales, Training, etc.; Summary of Recommendations; Note of Dissent by Shri H.R. Bhatia; Appendices from I to V.

## RECOMMENDATIONS

### Inter-State Projects

The Central Government should assume greater responsibility for the regulation and development of inter-state rivers and river valleys.

The CW & PC should assume the responsibility for collecting and compiling reliable hydrological data in respect of major inter-state rivers and for preparing basin-wise plans.

The Ganga Basin and the Indus Basin wings in the ministry of irrigation and power should be merged with the CW & PC at a convenient point of time.

The CW & PC should be charged with the responsibility of prepare master plans for irrigation, flood control and for hydro electric and thermal power for the whole country. Within these limits a perspective plan for the next twenty years or so should be prepared, fixing suitable priorities for the schemes so that the investigations designs and construction proceed systematically in a phased manner.

There should be a performance audit showing the physical targets, the short falls and their causes. The past experience of the short falls, etc., should be useful for the planners at the time of preparing subsequent plans.

### Status And Composition Of CW & PC

The CW & PC should form part of the ministry with secretariat status for the chairman and the vice-chairman. The chairman should be a special secretary and the vice-chairman should be an additional secretary. There does not seem to be a better alternative than this in the present circumstances to ensure the smooth and efficient working of CW & PC.

The two wings of the CW & PC (water wing and power wing) should not be bifurcated. The Commission should continue to function as a composite body as at present, providing opportunities for each wing to develop its expertise.

### Functions Of CW & PC

The CW & PC should be able to give advice of a high order expeditiously. It should inspire confidence amongst the States, the State Electricity Boards and other organisations consulting the Commission should be able to help them on problems which they are not in a position to solve or for which they desire to obtain a second opinion. The detailed technical examination of projects by the CW & PC should normally be for projects costing Rs. 10 crores and more. Projects



costing below Rs. 10 crores may be examined on a suitable performa basis, to be prescribed by CW & PC in consultation with the Planning Commission. They would not however, Bar some of the States which do not have proper arrangements for technical scrutiny of projects to seek the advice of CW & PC on projects costing less than Rs. 10 crores also.

In the case of projects having inter-state ramifications, the present practice of complete examination by the CW & PC should continue irrespective of the estimated cost of these projects.

The Central Water and Power Commission should keep a watch on the progress of all river valley projects in the country.

The chairman and members of CW & PC should continue to be associated with the Control Boards and Committees as before.

While the Commission can certainly be asked to give technical information on any aspect mentioned in a parliamentary question avoidable references should be made by the Ministry of Irrigation and Power to the CW & PC.

The CW & PC should render high level expert advice in regard to (a) even distribution of construction plant and machinery on the projects under execution (b) ideal plant lay out on each project and (c) proper maintenance of plant and machinery so as to prevent avoidable idling of capital investment. For this the officers of the Commission should be trained suitably.

It is highly desirable that all projects should get the approval of CW & PC for procurement and disposal of the equipment, particularly imported equipment. The Government of India must continue to insist on this condition before any foreign exchange is allocated for the purpose. With regard to indigenous equipment, the ideal way appears to be that the CW & PC should collect data of surplus equipment and spare parts lying at various project sites in the country and build up an extremely efficient and expeditious service in these matters so that the States are attracted to come forward voluntarily to seek the advice of CW & PC.

The working procedure in the offices of the Commission should be so modified that the officers entrusted with the functions, consult their counter parts posted in other specialized sections, as far as possible, on a personnel level, when necessary, without wasting time on inter sectional correspondence.

The CW & PC should play an effective role in flood control.

It is not considered desirable that the Commission should involve itself directly in ordinary construction activities. Nevertheless, it is essential that opportunities should be provided to the staff to get the required

field and construction experience.

The designers of CW & PC should be available for tackling problems at the sites of projects they design. For this purpose, design cells of the Commission headed by an officer not below the rank of Deputy Director should be established at the site of each of the major projects executed by the Centre or such projects which have been either designed by the C.W. & P.C. or where advice has been given by it.

The Central Electricity authority should concern itself with arbitration work only and its function other than arbitration should be added on to a power wing of the CW & PC after undertaking such legislation as may be necessary. The Committee has endorsed the view of first reorganisation committee in this respect.

The CW & PC will have to assume the following new responsibilities in the field :

(i) Establishment of inter-connected super-grids between States and Development of an All-India grid.

(ii) Day to day watch on power stations in different regions of the country to bring about such adjustments as may be necessary for optimum utilisation of power systems ; and

(iii) Control over operation of Central Power Stations to be set up at coal washeries after linking them with super grids.

The CW & PC should take the lead in organising seminars on important aspects of design and construction of major river valley schemes and power projects. The officers of the CW & PC should also participate in the deliberation of the institutions of engineers and other professional organisations.

The officers of the CW & PC particularly at the level of assistant director and deputy director, should be encouraged; (i) to go on study tours to the project sites, (ii) to participate in short term specialist courses organised by the Universities, (iii) to go on deputation for post graduate courses in the various institutions and universities of the country.

The various specialised directorate in the CW & PC should be encouraged to bring for their work in the form of standard manuals and brochures in incorporating the latest methods and giving information regarding the special designs and calculations of important features of projects.

The CW & PC should carry out a sustained and systematic programme of publicity through the various information media including popular and technical publications, exhibitions, documentary films, etc.

The CW & PC should obtain information on the development of irrigation and power through over missions in friendly foreign countries who are likely to approach for advice on these matters.

The Commission should preferably be located along

with ministry of irrigation and power at one place to cut short avoidable correspondence and to make the assistance of technical officers readily available to the ministry.

The library should be shifted along with the main office of CW & PC.

The expertise built up by CW & PC should be utilised for export to friendly foreign countries which are in the process of development. The organisation should be registered with international bodies like united nations; etc., for a rendering consultancy services. The services of eminent engineers both retired as well as those who are still in service should be made use of for this purpose. There should be a compendium maintained in the Commission giving details of the qualifications and experience of those engineers. The foreign technical assistance cell which is now existing in the Ministry of Irrigation and Power should be transferred to the CW & PC. The CW & PC should equip itself with literature showing the progress already made in those countries which are likely to seek technical assistance from India.

#### Organisational Structure

At present all the functions in the Commission are carried out and examined in the various specialized directorates and the advice given by directorates is co-ordinated. The members or the chief engineers incharge give the consolidated advice, or the commission sometimes acting sectionwise for water and powers wings respectively renders such advice in important cases. This system has worked well and should be adopted in the future also.

#### Water Wing

One more member incharge of floods be added.

With the increase in the design and research activities, the work load on the member (D & R) is too heavy and in the interests of specialisation, the member (D & R) should be relieved of certain items.

The director, concrete and masonry-dam designs, will look after the design of masonry and concrete gravity dams and appurtenant works. He may have a specialized cell, if necessary, under a joint director for the design of gates and structures.

The present director (Power house designs) will be renamed as director, Hydro-electric Civil designs. He will deal with the designs of Hydro-electric power houses and other appurtenant structures.

The present Dams Director II is dealing mostly with earth and rockfill dam design. We feel that this arrangement is adequate and may continue hereafter. A cell under a joint director may work on instrumentation

in directorate of earth dams.

The directorate of Farakha barrage designs may continue as long as it is concerned with the design of Farakha Barrage Projects and should thereafter be placed under the member (floods).

The Central Water and Power Research Stations, Poona, can contribute a good deal by evolving improved techniques of measurements of discharges and determination of run off. It should coordinate and advice the field staff engaged on basin wise studies in the methods and means of measuring stream flows.

The Commission may examine the proposals submitted by the Director, CWPRS to strengthen the organisation to take necessary measures in this direction.

The CWPRS at Khadak Wasla should be a self contained unit. Construction of quarters for the officers and staff working in the laboratory should be undertaken in a phased manner.

The two research stations (The Central Water and Power Research Station, Poona and the Central Soil Mechanics Research Station, New Delhi) should both work as part of Central Water and Power Commission. They should continue to be under the charge of member (Design and Research).

The Committee agrees with the view expressed in the report is preparatory plan for setting up a research and co-ordinating center should start with its nucleus in the existing Central Soil Mechanics Research Station, New Delhi, working under the Central Water and Power Commission. But providing opportunities for advanced research leading to post graduate and directorate courses in the field of soil mechanics and foundation engineering should not be a primary concern of this center.

There are six directors working under the member (planning and progress). Three more Directors, viz., the Director (standard and manuals), the Director (plant layout) and to the Director (publicity) should be created under this member.

We feel that the directorate of progress recording may be renamed as directorate of planning and progress. It necessary depending on the quantum of work, a joint director for planning may created at a later date.

The directorate of cost control should do basic work in revising the rates and Costs Committee Report. It should bring it up-to date and the CW & PC should publish the latest edition as early as possible.

The new directorate of standards and manuals should be charged with the responsibility of preparing manuals and standards and arranging their publication.

The Committee agrees with the importance of statistical work being done by a separate directorate of

statistics which should form the store house for all statistics connected with the development of irrigation in the country.

An additional directorate of plant layout may be established to render advice on construction plant layout in all major projects.

A full-fledged directorate should deal with publicity work. This directorate should include the present Deputy Director (seminars) the library and information bureau and editorial section of Bhagirath. There is a lot of scope for properly organising the library and streamlining its administrations.

The Committee recommends the inclusion of one more directorate under the member (water resources) to deal with ground water resources. Further, the basin wise studies should also be carried out under his control.

The directorate of surface water resources should be charged with the responsibility of compilation and processing of the data to be supplied by the staff working on basin wise studies. This directorate should also attempt standardisation of the methods of collecting the basin wise data.

The director (flood Estimation) should be made responsible for preparation of hydrographs in all major river basins at important locations and arriving at suitable empirical factors for estimation of floods for various regions of the country.

The directorate of water-ways and irrigation should develop specialised knowledge on the crops and crop pattern in the commanded areas of various projects and should be able to render high level advice on the economical utilization of water. CW & PC should properly advise the state irrigation departments on optimum use of water to avoid problems of waterlogging and water wastage.

The new directorate of Ground Water resources should study the utilisation of ground water resources and it should be capable of rendering competent advice to the units working on ground water problems in the States.

There is no further need for the directorate of soil conservation. The soil conservation work in river valley projects may be done in the flood control directorate under a Deputy Director. This post may be filled in by an officer on deputation from the forest or Agriculture Department.

Regular studies should be made by the CW & PC in the field of flood control and it should be in a position to co-ordinate all activities in the flood control field throughout the country. The Commission should also be responsible for the development of a proper flood forecasting system and it should be very much connected with the flood control boards both at Centre and

States. To achieve these, a post of member (floods) may be added to CW & PC and the present post of Chief Engineer (floods) be abolished.

At present there is chief engineer working in the Eastern region and stationed at Gauhati. This chief engineer should work under the member (floods).

The present Directorate of flood control may continue as directorate of flood control and drainage. This directorate should be charged with the responsibility for proper planning of flood control measures.

CW & PC should develop a specialised unit on integrated operations of multi purpose reservoirs. A cell of the directorate of reservoir operations may work at the site of any reservoir for rendering advice on the lines similar to the one at DVC. Depending on the nature of the work, posts of suitable ranks (joint director, deputy director) required for such operations should be created under the directorate.

The CW & PC should develop flood forecasting systems for all the flood-prone basins of the country. The member (floods) may be assisted by a director at the centre dealing with co-ordination of the work of flood units and standardising the methods of flood forecasting. The actual organisation required in the field may be worked out by the CW & PC.

The present canals directorate should work under the member (floods) and it should evolve type designs and prepare manuals on cross drainage works.

The director (Union Territories) should be given the powers of a chief engineer in view of the fact that technical sanction to estimates has to be accorded by him.

Like other members of the Commission, the Chairman/Vice Chairman should also deal directly with some of the functions of the Commission. When the Chairman/Vice Chairman is from the watering, the following officers should be under his control.

1. Chief Engineer, Salandi project.
2. Chief Engineer, Field investigation.
3. Director, Technical coordination.

The chief engineer, Salandi project, may continue until the completion of the work.

At present, three investigation circles are working under the chief engineer (field investigation). This may continue and the strength required may be adjusted according to the requirements.

#### Power Wing

A post of member to be designated member (Planning and System Studies) should be created in the power wing.

There are two directorates dealing with foreign exchange under the member (Hydro Electric) at present. This work should be consolidated under one directorate.

The directorate of Thermal Plant Construction should not be a permanent feature but continue only so long as it is needed.

The directorate of Neyveli Project may be wound up after the Neyveli work is over.

The following directorates/units of the power wing will work directly under the Chairman/Vice Chairman :

1. Director, Technical examination and co-ordination.
2. Director, Plan Progress.
3. Director, Power Research Institute and Switch Gear Testing Station.

There should be a new member (Planning and System Studies) with the following directors under him.

1. Director, Power System Planning
2. Director, Power System Studies
3. Director, Super Grid
4. Director, Transmission
5. Director, Grid Substation
6. Director, Telecommunications.

The new directorate of Power Systems Planning will deal with the choice of generation schemes based on economic considerations and sources of power, make long term studies for the development of power, and guide the States in the preparation of forward plan.

There will be a new directorate of Power System Studies to carry out studies of co-ordinated operation of hydro, thermal and nuclear stations for fixing the installed capacity, generation scheduling, etc., and studies in regard to possibilities and economic of establishing inter-state/inter regional links etc.

The present member (utilisation) will be redesignated as member (commercial).

The existing directorate of rural electrification should be replaced by the directorate of Urban and Rural distribution, which should deal with both urban and rural distribution systems.

The present directorate dealing with load surveys may be renamed as directorate of statistics.

The present name of directorate of planning and progress may be changed to the directorate of power surveys.

The present member (Commercial) dealing with world bank loans, etc., may be redesignated as member (Accounts). This post may continue as long as it is required.

The detailed strength of Deputy Directors, Assistant Directors/Assistant Executive Engineers and other staff in each directorate or circle may be worked out by the CW & PC based on the actual requirements.

Each of the two wings of CW & PC should have a director (Technical co-ordination) and the Chairman

may nominate one of them to function as Secretary, CW & PC. The duties of Secretary should be confined to technical work, preparation of agenda and recording of minutes of Commission meetings, etc., and these duties should be in addition to his responsibilities as a Director (Technical Co-ordination) for his wing.

The general administration of CW & PC should be carried out by a secretariat officer and not by an engineer officer. One of the existing four posts of under secretaries should be upgraded to that of a deputy secretary and the person appointed to this post be designated as Director (Administration). He assisted by the three under secretaries will help the Chairman/Vice Chairman in all general administration concerning each of the wings of the Commission.

The Director (Administration) will route through the Vice Chairman all papers of common interest.

### Personnel

The incumbents of top technical posts viz., Chairman, Vice Chairman, and members, should be retained in service up to the age of sixty years so that the government derives full benefit of their long and mature experience. The minimum period of appointment in the Commission should be three years in order that the persons selected are able to make useful contribution.

The top level technical posts of Chairman/Vice Chairman and members, should be treated as tenure posts. The government may consider the desirability of appointing a high powered selection board for making these appointments on an all India basis. For the selection of Chairman, the retiring Chairman and for selection of Members, both the Chairman and the Vice-Chairman should be co-opted as members of the selection board. The Chairman shall be appointed alternatively from the fields of irrigation and power.

While the practice of sending a few officers, irrespective of their suitability, to fill in the posts in CW & PC on quota basis is not conducive to building up an effective specialist organisation, every effort should be made to attract the best talent in any specialised field from any part of the country and this we recommend, can be done upto 25 per cent.

The Committee endorses the recommendations of the Gokha'e Committee with regard to the necessity of field training and feels that training for a period of two years should be adequate for individual officers.

In principal, the projects undertaken by the Ministry of Irrigation and Power such as Farraka Barrage Project and the Badarpur Thermal Project or receiving assistance from the Central Government should take a few officers of the central organisations for giving them the requisite field experience. The ministry should also make suitable arrangements with NPCC, DVC, etc., for the same

purpose. In addition the CW & PC engineers should be deputed to important projects of State Governments and State Electricity Boards for this purpose.

It will be worthwhile for the CW & PC to meet the pay and allowances of their officers while they are acquiring field experience.

The general approach in the matter of promotions should be that one should get at least two promotions in one's career beyond the point of entry. This is perhaps the minimum that should be assured in working out the cadre structure in every organised service.

The broad based pyramidal structure into which the Central Water and Power Commission has developed is not conducive to building up of an efficient consulting organisation. This imbalance has to be corrected.

After the Indian Service of Engineers (ISE) cadre is formed, there should not be further recruitment to the present cadre of Assistant Directors outside the ISE. Further, at least 25 per cent of the posts at this level should be surrendered and a corresponding increase in the number of deputy directors made.

It would be desirable to have a system of time scales. Officers who complete eligibility in their grade should be considered for promotion and in deserving cases the promotion should not be stopped for reasons of lack of posts in the higher cadre. This can be achieved by having a flexible cadre structure and by giving the organisation the liberty to have an ex-cadre post till such time as necessary. For the growth of specialist organisations like the CW & PC the usual rigid cadre structure with limitation of posts in each cadre should not be applied.

In order to avoid stagnation and provide incentives at the level of deputy directors, the posts of joint directors in the scale of Rs. 1100—1400 should be created depending on the need for senior specialised posts and the work load.

The junior and senior scales of pay may be clubbed as follows and those officers who do not get selected for appointment to the ISE may be given this grade.

Rs. 400—40—600—EB—700—40—1100—50/2—1250.

The present pay scale of Chief Engineer in CW & PC at Rs. 2000 p.m. (fixed) is not adequate; it should be revised Rs. 2000—125—2250 which scale is in line with the pay scale recommended for the ISE.

The scale of pay in regard to other posts, being

the same as recommended for the ISE, may remain unchanged.

All scientific posts should be combined and should form a uniform structure. The revision of pay scale of scientific posts in the CW & PC should be considered along with other services in the country.

Provisions of deputation, leave and training reserves is an accepted feature of all organised services. The cadre strength for the CW & PC should be suitably determined making adequate provision therefor.

Advance action should be taken to formulate programmes for sending officers for foreign training on a systematic basis under the guidance of a member of the CW & PC only candidates of proved merit should be recommended and follow-up action should be taken promptly on the reports of trainees and new ideas gained should be shared by others. It would be worthwhile if each trainee could contribute an article in the Bhagirath highlighting the directions in which improvements are possible in India. A card system should be introduced so that the qualifications, experience, foreign training, various postings, etc., of each officer are available for ready reference.

The Chairman, Vice Chairman and Members of the Commission should review cases of outstanding work, in accordance with the procedure laid down, every year and should give suitable advance increments, merit certificates etc., to their officers.

The CW & PC should provide opportunities for their officers to register themselves for research degrees in the IITs and other universities and use the laboratories under the Commission for research work.

Study leave should be liberally granted to those who wish to pursue higher studies on their own.

The officer with post graduate and other higher qualifications may be given incentives by way of special pay so that the higher qualifications are adequately rewarded and the flight of personnel with higher qualifications can be arrested.

There are certain aspects affecting the service conditions of gazetted officers who may not be encadred in the ISE as also the promotion prospects at the higher level, which demand some consideration. Similarly, the present condition of the non-gazetted staff, particularly the stagnation in the cadre of senior draftsmen needs to be looked into. The Ministry of Irrigation and Power may examine personnel matters in regard to the non-gazetted staff of the CW & PC.

# ADMINISTRATIVE REFORMS COMMISSION, STUDY TEAM ON RAILWAYS, 1967—REPORT

New Delhi, Administration Reforms Commission, 1968. 267p.

Chairman : Dr. H.N. Kunzru.  
Members : Shri P.C. Bhattacharya ; Shri G. Fande ;  
Shri K.B. Mathur ; Shri P.L. Tandon.  
Member Secretary : Shri P.C. Mathew (replaced by  
Shri G.P. Warriar).

## APPOINTMENT

The Study Team on Railways was constituted under the Administrative Reforms Commission's Notification dated September 21, 1967.

## TERMS OF REFERENCE

The Study Team to examine administrative and financial arrangements for the working of the Indian Railways, locate the principal problem areas, and make recommendations with a view to building an administratively efficient and financially sound system that would provide adequate and economical transport to the country.

## CONTENTS

Introduction ; Railway Board ; Zonal Railways ; Management Structure—Recruitment, Training and Career Prospects, etc ; Operation ; Civil Engineering, Mechanical Engineering ; Signalling and Telecommunication ; Railway Safety ; Research, Designs and Standards Organization ; Stores Organization ; Railway Protection Force ; Role of the Vigilance Department ; Finance and Accounts Department ; Market Research and Development, Customer Satisfaction and Rail Road Co-ordination ; Unremunerative Lines and Special Burdens on Railways ; Analysis of Working Expenses and Suggestions for Economy ; Financial Position of the Railways ; Future Policy for Development ; Summary of Conclusions and Recommendations ; Annexures from I to XVIII/20.

## RECOMMENDATIONS

Keeping in view the great importance of ensuring a rational and healthy growth of the Railways on sound business principles, we have made recommendations which cover the organizational and operational fields on the Railways as also their financial position, working expenses, research and development, and other allied

themes. On the organizational side we have reviewed the set up that is necessary at the apex, i.e., the Ministry, and have suggested certain measures for strengthening the Railway Board and streamlining the procedures. The Chairman, Railway Board, should have no specific responsibility of being incharge of a Department and an additional post of a Member in the Railway Board has been suggested. An officer-oriented pattern with a greater delegation of powers and decentralization of work will result in better efficiency and reduction in the number of officers and staff in the Railway Board.

On the zonal railways organizational improvements have been suggested so as to reduce the burden on the General Managers by having Principal Officers to whom certain Heads of Departments will report. A greater delegation of power to the Heads of Departments and Divisional Superintendents has also been suggested for the efficient functioning of the railways. This is likely to lead to reduction in the number of officers and staff required on the zonal railways. Certain steps necessary for improving personnel administration on the railways and career prospects of officers and staff have been recommended. In view of further decentralization of work to the zonal railways and divisions, some adjustments in certain grades have been suggested in keeping with the higher responsibility attached to the posts.

It has been suggested that Divisional system should replace the district system on the North Eastern and Northeast Frontier Railways to improve efficiency.

Emphasis has been laid on the need to effect economies in the various spheres of railway working, namely operation, maintenance and staff in-put. For this, various measures have been suggested, like operational research, better utilization of assets, improvements in workshop output and proper cost accounting and performance budgeting. Certain railways have been incurring losses for the last few years. The need for a periodical review of the financial results of the working of the railways by the Railway Board has been stressed on the lines of the economic analysis made in our study for certain railways.

The need for stepping up the research activities of the Research, Designs and Standards Organization so as

to achieve the much needed technological improvements in the working of the railways in the various spheres, has been stressed. A re-orientation in the working of the vigilance organization has been suggested so as to achieve the desired results. Similarly, certain shortcomings in working of the Railway Protection Force have been brought out. Measures have also been suggested for improving the working of the Stores Department in the Railways and the Railway Board.

In the light of depressed traffic trends, the need for carefully controlling the capital investment has been stressed. A scheme for investment during the next few years revision of replacement policy and contribution to the Depreciation Reserve Fund has been suggested with a view to improving the economic position of the railways. In this context the need for reviewing uneconomic investments and other burdens on the railways has also been stressed. An indication has also been given to the lines on which the future policy of planning and development should be oriented.

In the following paragraphs, we summarise the principal conclusions and recommendations contained in our report.

#### Railway Board

The present arrangement by which the top executive body, namely, the Railway Board, consisting of experienced railwaymen who have worked in various capacities and have gained an intimate and expert knowledge of the complex working of the railway system, functions as secretariat to the Minister, has stood the test of time. We are of the opinion that in the interest of the railways, the present arrangements should not be changed.

We are of the definite opinion that the Chairman, Railway Board, should be relieved of his functional responsibility to enable him to coordinate the activities of the Board, etc. It is, therefore, necessary that an additional post of a member should be sanctioned.

The Chairman should be a railway man with comprehensive knowledge and experience of railway working. It is not necessary that he should be the senior most member of the Railway Board. An outstanding General-Manager of a Railway possessing the qualities should be equally eligible for this appointment.

We are of the opinion that Chairman should be consulted by the Railway Minister when he selects the Members of the Railway Board.

There need be no embargo on the selection of a railway officer other than a General Manager for the post of Member, Railway Board, if he is exceptionally brilliant and his name is already included in the panel for General Managers.

Important matters of policy, major decisions regarding development, investment, budgetary allocation, etc., should be jointly discussed in the Board meeting.

The Chairman should continue to have powers to overrule the Members of the Board.

In our opinion differences between Member, Finance, and the other members on financial matters should be discussed at the Board meetings and resolved there.

The designation of the Financial Commissioner should be altered to Member, Finance, in line with that of the other members.

In order to conform to the pattern obtaining in other Ministries, Additional Members of the Railway Board should be given the status of Ex-officio Additional Secretaries, and the Secretary and Directors of the Railway Board the status of Ex-officio Joint Secretaries to Government.

The present tenure of the Chairman and Members of the Railway Board is five years but in practice no Chairman has held the office for more than three years. If need be, extension of service should be given to complete the tenure of five years. There should, however, be no renewal of the tenure.

While Railways will have to act within the framework of the constitution and the fundamental labour laws enacted from time to time, railways should not be fettered with modifications or circulars issued by other Ministries from time to time.

The railway organisation is basically sound, but we cannot help observing that the authorities at the higher levels have been too much engrossed in details of minor importance, with the result that they do not get time enough to attend to the major issues. Much of it is due to questions raised by Members of Parliament, mostly on personal matters and the attention that has now be given to influential parties.

Political interference with the day-to-day working of the railways is having a serious impact on the work load at all levels of the management and is undermining the discipline which is paramount importance for efficiency and safety. We, therefore, consider it our duty to sound a note of warning that, unless the highest sovereign body in the country, namely, Parliament, decides to observe a self-denying ordinance in respect of internal and routine matters, whatever the improvements we may suggest, are not likely to prove fruitful. If this highest authority lends its positive support to the efforts to tighten discipline, it would indeed be of immense value.

Public opinion must be built up and conventions established to avoid interference in the day-to-day working of the railways.

We recommend that the General Manager need not be present at the meetings of the Informal Consultative Committees of the Parliament that are held twice a year.

The existing forums like the Informal Consultative Committee of Parliament, the National Railway Users' Consultative Council, Zonal Railway Users' Council and the Divisional Railway Users' Council should suffice and no addition is needed.

Representations received by the Ministers in regard to minor punishments, transfers, postings, promotions, etc., should be passed on to the railway authorities for disposal and there should be no interference with the decision of the zonal railways.

For an efficient and effective management, it is necessary that the functions, responsibilities and powers at the three levels, namely, the Railway Board, the General Manager and the Divisional Superintendents or District Officers should be defined as clearly as possible so that each of them may function in accordance with his assigned role and be accountable for what he does.

Consistent with the functions, the Railway Board should delegate more powers to the zonal railways.

There should be a periodical review of items of expenditure, like fuel and oil consumption, cost of repairs and maintenance, inventory control and other important matters by a Committee consisting of the Director, Finance and Concerned Directors in the technical directorates. Such a review should be placed before the full Board for their critical examination.

An officer-oriented pattern of working has been suggested and the Railway Board should constitute an expert study team to go into this question.

The Railway Board should not concern itself with too much of details as to what happens on the railways. If too many details are called for, a feeling of interference is apt to dilute the sense of responsibility in the minds of senior officers on the railways.

The Board should set up a Committee consisting of the Secretary and three Directors to scrutinise the list of returns and other information and the statements that are now and again called for from the railways and curtail the list to the bare essential information required by the Board.

To promote efficiency and a better appreciation of problems of zonal railways, officers of the Railway Board Secretariat Service should be periodically deputed to the railways to gain first hand knowledge of work in the field.

The Railway Board and the General Managers should take good care to see that every officer in junior

and senior scales gets a fair share of experience of field work. It is not desirable to allow young officers to remain attached to the Headquarters or the Railway Board for a considerably long time so as to deprive them of field knowledge.

Scrutiny of the proposals emanating from zonal railways and production units should start with the Joint Director in the Railway Board—not anyone lower down. Any decision to turn down a railway's proposal should be taken only by an officer of not less than a Director's status. All important cases should be brought to the notice of the member concerned.

Certain suggestions regarding the strength of officers in the Railway Board are given in Annexure II/2.

The Railway Board does not seem to have a team of management service personnel to examine the various fields where economy is possible. The Efficiency Bureau in the Railway Board should be re-organised under a capable and senior director possessing an analytical mind. It should have an economist, a statistician and an operational research expert in addition to the other technical officers.

### Zonal Railways

We have found that at present every Zonal General Manager is over-worked and too much engrossed in minor matters. A substantial portion of the work arises out of matters raised in parliament and references received from the Railway Board in connection with letters addressed by the Members of Parliament or influential parties to the Ministers, mostly on personal matters.

Elimination of unnecessary references from the Railway Board has been emphasized.

The labour problem is essentially an internal affair of the railways, but at times intervention of higher authorities causes complications. It is, therefore, suggested that full opportunity should be afforded to the General Managers to settle their own affairs, locally.

The powers of General Managers should be suitably enhanced and covered by a revised 'negative' schedule, specifying only what they are not authorised to do. They should be authorised to delegate these powers suitably to lower authorities.

We do not appreciate a position where a Head of the Department can refer a matter to the Railway Board against his General Manager's decision. We, therefore, consider that this special privilege of the Financial Adviser should be withdrawn; and that, if the Financial Adviser and Chief Accounts Officer feels strongly that the subject matter on which he has been over-ruled will have wide repercussions on other railways, he should request the General Manager to make a reference to the



Railway Board. In such circumstances, the General Manager should make it a point to get the advice of the Board.

Each General Manager should be asked to attend a special meeting with the Board once every quarter of the year, when the Board should discuss with him the operational performance, financial results and other problems of importance pertaining to his railway, and jointly evolve methods for improvement.

At the Zonal Railway Headquarters there are too many departmental heads reporting to the General Manager. We do not consider it feasible to introduce a radical change in a well established and well tried out managerial pattern, particularly so, when such a change will add to the expenditure. We recommend that major Heads of Departments may be designated as principal officers and they should directly report to the General Manager. Other Heads of Departments will be attached to the different principal offices, with whom they have a close link.

The arrangement proposed on the Zonal railways will be more or less a replica of the Railway Board pattern, and there should therefore be no difficulty in working to this managerial pattern on the zonal railways.

The powers of Principal Officers, Heads of Departments and Divisional Superintendents should also be reviewed so that they may suitably be enhanced with a view to give further relief to the General Manager.

Much of the benefit accruing from a larger delegation of powers will be negated unless the delegating authority insists on the delegated powers being exercised fully by the officers concerned and refuses to succumb to the temptation of giving unwanted guidance and more so interfering with the day-to-day work of the subordinate authorities.

In the Personnel Department, selection of officers for posting to the branch leaves much to be desired. The Chief Personnel Officer should see to it that only capable officers are posted to the branch and that they have some continuity of tenure.

In the Commercial Department also the quality of officers should be improved. The impression that we have gained is that in most cases officers found wanting on the transportation side are transferred to the commercial. This is a wrong approach. Commercial work is of a specialised nature and is extremely important for the development of traffic and giving satisfaction to the customer.

While we do not suggest a complete separation of the commercial and transportation cadres at this stage, we consider that after the officers recruited to the Class I service have gained sufficient experience in both these departments for 6 to 7 years, an equitable distri-

bution should be made between the two departments by natural agreement between the Chief Operating Superintendent and the Chief Commercial Superintendent.

We consider that for the time being, it will be worthwhile continuing the present system of combined recruitment from the Jamalpur (special class apprentices) Training School as the Union Public Service Commission. After these officers have worked for about four or five years in both the departments, an equitable distribution should be made between the workshop cadre and the maintenance (Running) cadre, on the same lines as indicated in the case of transportation and commercial officers.

We consider that it will be worthwhile intensifying the check and supervision of fuel and oil consumption on the Railways. We, therefore, suggest that the post of fuel officer should be up graded to that of a Deputy Chief Mechanical Engineer or major railways where the Deputy Chief Engineer (Running and Loco) is so pre-occupied that he cannot pay sufficient attention to this subject.

We also suggest that assistant officers should be posted to regulate the storage and supply of diesel oil at the various depots.

We consider that a separate Divisional Mechanical Engineer (Carriage and Wagon) should be posted practically in every division.

We suggest that a workshop employing about 2000 workers should be placed under the charge of a Deputy Chief Mechanical Engineer and bigger workshops under a Deputy Chief Mechanical Engineer of the grade of Divisional Superintendent.

Generally speaking, the pattern which seems to have develop on railways provides every Deputy Chief with a senior scale officer to assist him. This is not desirable.

Problems requiring consideration at the higher level should alone be referred to the headquarters by the divisions or the workshops and these should be dealt with by the Head of the Department or his Deputy. We, therefore, think that detailed investigation is necessary in this respect and some of the senior scale posts on the Headquarters may be reduced.

There should be a greater liaison with the press and a more informative publicity should be arranged.

In all the Heavy Divisions there should be a Deputy Chief Mechanical Engineer in place of a senior scale District Mechanical Engineer and Dy. COPS in place of DOS.

With the changes advocated by us in the system of working, it would appear reasonable to reduce the strength of senior scale officers in the Zonal headquarters and have a corresponding increase in their

strength in divisions, where the focus of supervision should be in future.

An additional post of Superintendent, Way and Works, in the Junior Administrative grade, should be created in heavy divisions to coordinate the work of the Divisional Executive Engineers; he should also have another senior scale officer to assist him for modernisation of track maintenance and bridges.

We recommend that the Northeast and Northeast Frontier Railways should also be divisionalised so that efficiency could be improved.

We do not consider that the creation of Deputy Divisional Superintendent's posts on some of the Divisions to assist the Divisional Superintendents is a satisfactory arrangement. If the work load in a division is so heavy as to warrant relief, the best course is to divide it up territorially into two. It should be possible to work out bifurcation of divisions functioning from the same headquarters, without increase in the strength of clerical staff.

As regards individual railways, our suggestions are contained in the Annexure III<sup>5</sup>.

#### **Management Structure, Recruitment Training And Career Prospects, Etc.**

The present management structure, wherein the topmost executives combine the managerial, secretarial and technical functions, is the most suited for a vast public sector undertaking like the Railways.

A continuous stream of hard working, efficient, honest and devoted railwaymen has to be built up and this can be made possible only if the railways at all levels are well looked after, and are happy, contented and look forward to their future with confidence and satisfaction.

From our visits to the headquarters of railways and other important centres of activity, as also from a study of the representations received from the officer's associations, we have gained an impression that there is a feeling of frustration amongst all categories of officers and the supervisory staff, which we are afraid, is gradually undermining their morale.

The present ratio of officers to staff in the major departments of the railways is very low, compared with other government departments.

The percentage of posts in the Junior Administrative grades of Rs. 1300—1600 and above is low in the Railways as compared with that in the other government departments.

The emoluments normally drawn by officers of different lengths of service in the major departments on the Railways as compared with those drawn by officers in other government departments are lower.

The bulk of the top students from universities seems

to prefer private industries and the public sector on the grounds of better pay, perquisites and prospects, and many of them even do not appear in the U.P.S.C. examinations. This is a cause for concern and steps should be taken to attract the best talent for the railways services.

In order to maintain a good standard in the railway services, chances of promotion and the promotion of higher grades have to be substantially improved, since these seem to be the main reasons for candidates preferring the other services.

It is seen that persons who have joined the railway service after passing the competitive examinations in 1947 are still in the senior scale. Meanwhile, their contemporaries who had joined the other services are appointed to higher posts.

The senior scale on railways starts at Rs. 700, with a service of six years and under. We recommend that the starting salary of the senior scale should be Rs. 900. The maximum of the grade and the incremental scale will remain as they are.

Certain posts, in the Divisions should be upgraded to Junior Administrative posts. By strengthening of the divisional organisations with a Junior Administrative officer for the major departments, it will be possible to reduce to extent of references necessary to the headquarters office, which in turn can, in the course of time, reduce the size of the ministerial staff in the headquarters office.

Promotions to Junior Administrative grade are at present made by the Railway Board. The Railway Board's powers to promote officers to the Junior Administrative posts may be delegated to the General Managers and this will reduce considerable work in the Railway Board.

The responsibilities of a Divisional Superintendent are very heavy and of a complex and diversified nature. These responsibilities are in no way less than those of officers holding schedule 'D' appointments in the public sector. We recommend that there should be only one grade for Divisional Superintendents and this should be Rs. 1800—100—2000 till such time as the pay of the heads of departments is revised upwards.

The Federation of Railway officers have represented to us that the parity which previously existed in the scales of pay of Heads of Departments with that of Joint Secretaries to the Government of India, should be restored. While we do not propose to go into this question, this is brought to the notice of the government.

The responsibilities of a General Manager on the Railways are considered to be more than those of the Managing Director of even the largest public sector enterprise. While Schedule 'B' scale for top management

posts in public sector undertakings is Rs. 3000-125-3500, the pay of a General Manager on the Railways is fixed of Rs. 3000. Government may consider how best a parity with the public sector could be maintained in the case of General Manager, consistently with his responsibilities.

We recommend that all Directors in the Railway Board should be placed in the same grade.

While the pay of the Chairman of some of the public sector undertakings in Schedule 'A' appointments is Rs. 3500-4000, the pay of the Chairman, Railway Board, who is the head of the largest industrial undertaking in the country, is only Rs. 3500. This is brought to the notice of the government.

The weightage given to seniority for appointments to selection posts is sometimes quite disproportionate to merit. The posts of Divisional Superintendents, Heads of Departments, Principal Officers, General Managers, Members and Chairman of the Railway Board are Key posts and considerable care should be exercised in selecting officers of outstanding merit for these posts.

The Railways should establish a management development programme like the one followed by the British Railways, for higher appointments.

Confidential reports need to be more comprehensive and detailed so as to enable a proper appreciation of the officers work and ability being made. In this connection the appraisal sheet used by the British Railways may also be studied.

A management development cell should be set up under the Secretary, Railway Board.

The Railway Board should form separate panels to fill up vacancies during the course of the year for the posts of Divisional Superintendents and Principal Officers on the Railways.

For the posts of General Managers, the Chairman, Railway Board should draw up a panel after discussions with other Members of the Board at a Board meeting.

It is not desirable that there should be frequent transfers of key management personnel. We would emphasize the necessity of keeping officers in key posts long enough to enable them to grasp the intricacies and specialities of their particular assignments.

For an organisation like the railways, there should be adequate training facilities for railway officers at various stages of their career.

We feel that some rationalisation of training facilities is needed. Before any further expansion is permitted either in the Baroda Staff College or the Poona School, the possibility of establishing a combined institution at Lucknow should be carefully looked into.

Deserving Class III employees should have opportunities to rise to higher posts. Young men of merit should, therefore, be given opportunity for training and taking up special promotion courses and qualify themselves by passing the prescribed tests for promotion to Class II.

Ten per cent of the total number of posts in the Rs. 450-575 grade should have a minimum rising upto Rs. 700. In addition, one per cent of the total posts in the present Rs. 450-575 grade should be vested with honorary gazetted rank.

The Railway Board should periodically review that further improvements in the avenues of promotion of Class III and IV staff can be effected.

It is necessary to determine the categories and number of staff that are likely to be rendered surplus on individual railways and as to how best they could be absorbed in alternative employment, after suitable training. For this purpose, special training programmes should be started.

To the extent that future developmental works will require additional officers, temporary officers should be absorbed on a permanent basis.

Twenty five per cent of the vacancies that arise in Class III and IV posts should be filled by the General Managers from amongst the sons of railway employees.

A system of merit marks for good work, some what on the lines of the Brown System of Disciplines may be considered.

We consider that periodical transfers of staff who come into contact with public upset the morale as also the loyalty of staff and only if there are specific proved complaints should such transfers be ordered, taking into consideration all aspects of the work of the employees.

Special care should be taken in respect of recruitment and training of personnel officers. The Personnel Branch on Railways should be placed on a footing similar to other major Departments of the Railways. Personnel Officers should not be changed frequently.

### Operation

The density of freight traffic on the Indian Railways, which is fairly high, compares favourably with that in advanced countries.

Judged from the figures of freight traffic and the high density of passenger traffic and an out-moded signalling and communication system which remains frequently ineffective, the performance of Indian Railways is decidedly impressive.

Lawlessness, to which the Indian Railways are an easy prey, has been a great handicap.

The demand for additional suburban trains, which could not be reasonably fulfilled, was pressed home by

resorting to stoppage of trains.

Governments at the Centre and in the States should apply their minds as to how the public opinion may be mobilised with a view to tackling this law and order problem.

Reasons for drop in wagon kilometres on the Central Northern, Southern and Western Railways are analysed.

Causes which have led to drop in wagon kilometres per wagon day are remediable and Railways should take effective steps to remove them.

We do not favour a large cushion of wagons and consider that the objective should be to meet the unforeseen fluctuations of traffic by better utilisation of wagons and better methods of chasing.

As regards heavy foodgrains movements, no railway system can allow its wagons to be utilised as Store House, nor can storage be provided in goods sheds for a large volume of foodgrains. The Food Ministry or the Food Corporation should arrange to provide storage godowns or silos to hold buffer stocks. Coal dumps should be created to even out the requirement of wagon.

The marshalling of wagons for the farthest point, consistent with the availability of traffic, should be aimed at.

Continuous study should be made to eliminate stoppage of goods trains or the hold up of wagons at intermediate points.

Important and key yards should be well equipped and preferably mechanised.

The object should be to centralise the marshalling work at the key yards located close to the points of origin of traffic.

A considerable empty haulage of wagons to the ports and transshipment points was involved in the food movements, which apparently contributed to drop in the percentage of loaded movement. A close watch should be maintained on empty haulage and average wagon loads.

It will be noticed that the performance of steam engines has deteriorated. The problem is essentially one of increasing the speeds of trains and judicious scheduling of slower services.

The tendency to keep a large number of engines in circulation than actually required is uneconomical and should be discouraged.

Diesel and electric locomotives should give an output of 700 kms. per day per engine on line.

To ensure efficient maintenance of electric engines, a closer officer-oriented supervision by experienced electrical engineers is necessary.

The hauling capacities of different types of engines for different services should be reviewed by the Railway

Board and their allocation should be made so as to produce the maximum output.

It is noticed that speeds of trains hauled by steam engines have gone down appreciably. Compared with the best results obtained in 1960-61, the present results indicate a drop of 3.4 kilometres which constitutes 18.1.

The average speed of diesel or electric trains falls in the range of 17 to 26 kms per hour.

Since the maximum permissible speed of four-wheelers is 45 miles (67.5 kms.) an hour, the scheduled speed of goods trains should be raised to this level, in particular of trains that are hauled by electric or diesel engines.

The Railway Board should examine whether ordinarily four-wheeler brakevans could be allowed to run at 80 kms. per hour on trains consisting exclusively of logic stock that full advantage of dieselisation or electrification and bogie stock may be obtained.

We consider that disbanding of the Hot Boxes Organisation in the Railway Board was premature.

It should be the Railway's aim to achieve an average speed of 25 to 30 miles an hour for diesel and electric trains on the broad gauge, which may be further improved when maximum permissible speed goes beyond the existing limit of 45 M.P.H.

We feel that the metre gauge problem should be viewed from a different standpoint. If the large population of these areas is to be gainfully employed, industrialisation is imperative. We must, therefore, improve the railway system in these areas so that industrialists may not be inhibited from establishing new industries. In addition the strategic value of these systems for national security should also be fully taken note of. The entire Himalayan border is now vulnerable. So is the Rajasthan border with Pakistan. These areas are served by the metre gauge and so is the coastal belt in the South.

The cost of operation per ton km. on the metre gauge is 5.42 paise as against 3.30 paise on the broad gauge. The disparity in the cost of operation, coupled with the future prospects and social needs, are pointers in favour of conversion of the metre gauge into broad gauge. We recommend that annual investment of about Rs. 10 crores should be set apart for this purpose so that about 200 kms. may be converted yearly. Judging both from commercial and strategic angles, we consider that the following sections merit consideration for conversion to broad gauge :

- (a) Barauni—Katihar,
- (b) Barabanki—Gonda—Gorakhpur—Chhapra—Barauni,
- (c) Bha'inda—Suratgarh—Bikaner,
- (d) Cochin—Trivandrum—Tuticorin,

(c) Viramgam—Okha.

The Railways and Port authorities should maintain close coordination and work in concert so that traffic may be move freely:

In our opinion, wagon holding inside the Port area should not normally exceed 2 to 2 and a half times the total incoming and outgoing traffic.

#### Civil Engineering

In view of the increasing expenditure year by year, it is very necessary that modern techniques and improved methods for maintenance are adopted not only to effect economy in expenditure but also to maintain the assets in a satisfactory state of repair, under steadily increasing density of traffic.

Better track standards have to be adopted now on account of the additional strain on the permanent way brought about by the use of the more powerful diesel and electric locomotives and heavier bogies and other types of wagons.

Both from the economic and operational point of view, the Railways should pursue vigorously their programme of track strengthening and track modernisation.

We find that the Railway Board has recently issued directives to the various zonal railways that the available funds should be utilised for ballasting the trunk routes and main lines in preference to branch lines. This is a move in the right direction and we hope that with the steps taken by the Railway Board to rationalise the specification for stone ballast, adequate supplies will become available and that ballasting programmes will go ahead quickly and purposefully.

It is found that the life of even the creosoted soft wood sleepers is only about 8 to 10 years and in some localities even less and this leads to frequent renewals and disturbing of track bed which then takes considerable time to settle down. The intake of soft wood sleepers should, therefore, be restricted only to such quantities as can be properly creosoted.

Experience has shown that CST-9 (Cast Iron) sleepers have also to be removed on certain heavy density routes in less than twenty years and in addition are not suitable for track circuiting and automatic signalling. Therefore, the Railways have to go in for concrete sleepers in a big way and we suggest that they should draw up a programme for an annual relaying of at least 150 miles with concrete sleepers on the trunk routes, progressively increasing the pace, as the availability of concrete sleepers increases.

We understand that a stage has now been reached when concrete sleepers can be expected to go into production during the course of the present year. We also understand that a great advance has been made by the

Research, Designs and Standards Organisation in developing a new type of elastic fastening.

The use of long welded rails and concrete sleepers should provide an ideal solution to many track problems.

In foreign countries where directed maintenance has been in operation, considerable economies have been effected and, at the same time, improved track conditions achieved. It is understood that the Railway Board has taken steps to introduce directed maintenance as an experimental measure on one of their trunk routes.

The Railways have made a beginning in regard to machine maintenance and measured shovel packing. Since satisfactory results have been reported, these methods should be extended to cover the important trunk routes as early as possible.

It is quite possible that with the adoption of new methods of maintenance, the employment potential in the category of gangmen may be somewhat reduced, but considering the economies and the increased avenues of promotion that will result for this category of staff, it is hoped that there will be no opposition to the introduction of such improved methods.

It appears essential that there should be a Track Cell attached to each railway. The Track Cells must make comprehensive plans to make an efficient and regular use of the welding plants, track maintenance machines, ultrasonic flaw detectors and all the available track recording cars.

Simultaneously with the adoption of improved methods of track maintenance, Railways should also take steps to rehabilitate weak formations on some of the important routes.

#### Mechanical Engineering-Repair And Maintenance Of Rolling Stock

In the context of the changing pattern of holdings and the growing dieselisation and electrification, the whole problem of the maintenance and periodical overhaul of rolling stock has to be reviewed so that the work of rolling stock repairs may be redistributed more rationally amongst the various workshops.

Existence of about 48 mechanical workshops on the railways has led to multiplication of repair arrangements multiplicity of costly equipment and a diffused stocking of spare parts and materials which inevitably builds up inventories.

We consider that it is high time that workshop re-organization is taken up with sufficient forethought re-organisation and coordinated planning to obtain optimum results.

Mr. Michael Dehm, Director of Productivity, German Federal Railways, examined the working of the

repair workshops of the Indian Railways in 1958, and made certain valuable suggestions, and we consider that this report should be quickly examined and implemented to the extent found feasible.

The modern trend in foreign countries is to delink the operating units from repair workshops and to introduce centralised control over them. We recommend that the Railways should follow this pattern and, to start with, the Kanchrapara and Kharagpur workshops should be placed under the control of the General Manager, Chittaranjan Locomotive Works and the General Manager, Diesel Locomotive Works, respectively.

Advance planning should be made to make use of suitable steam loco workshops, which will be released as a result of dieselisation and electrification for the purpose of doing P.O.H. to coaching stock and wagons and thereby the need for putting up new workshops for this purpose may be obviated.

Some of the smaller steam locomotive shops that may be found surplus should be disposed of.

Wherever electrification and dieselisation have proceeded substantially, the question of closure of some of the steam sheds should be pursued with urgency on a rational basis.

The staff strength for the maintenance of steam locomotives on the Railways should also be progressively adjusted in relation to the degree of utilisation of these locomotives.

Any proposal for new diesel sheds should be viewed with caution and if practices in countries like the U.S.A. are any guide, it should be our endeavour to manage with as few diesel sheds as possible.

In respect of day-to-day problems of maintenance of the rolling stock on the zonal railways, we suggest that work study teams should be periodically constituted to visit and make a detailed investigation of the work that is being done in the loco sheds and sick lines with a view to improving the methods and effecting economy and efficiency.

We recommend that all the work connected with the maintenance of electric locomotives and the electrical components of diesel locos should be centralised under one authority, who may be redesignated as the Chief Traction Engineer. A stage for this redesignation would be reached when the present Chief Mechanical Engineer is relieved of his workshop responsibilities. The Chief Electrical Engineer will then only be responsible for the maintenance of fixed assets and supply and distribution of power. The Chief Traction Engineer may be a Mechanical or an Electrical Engineer.

It will be necessary to build up a cadre of Traction Engineers with knowledge of both the mechanical and electrical branches. For this purpose, graduates who

are recruited through the U.P.S.C. as also the special class apprentices trained in Jamalpur, should be given an intensive course, during their period of training, in the maintenance of all the three types traction, namely steam, diesel and electric.

The costing technique in vogue in the workshops should be improved and brought on par with the procedure followed in the Chittaranjan Locomotive Works.

With the rationalisation, which has been proposed, it should be possible to introduce batch consisting of identical types.

#### Signalling And Tele-Communications

With the steady increase that is taking place in the number of sections that are being dieselised and electrified, the provision of automatic signalling on such sections will result in improved operation.

We recommend that the Railways should embark upon a long term integrated plan for the modernization of their signalling.

We are satisfied that the indigenous manufacture of modern signalling equipment in the country is practicable and suggest that the Railway Board should make very early arrangements for its manufacture.

The Research, Designs and Standards Organization should take effective steps to develop research with a view to evolving improved designs for the signalling equipment needed by the Railways.

An annual plan for the modernization of signalling has been suggested.

We are glad to learn that automatic train control equipment is being installed on the Sealdah—Burdwan and Gaya—Moghal Sarai sections of the Eastern Railway. With the increasing density of traffic and speed of trains, it is very necessary to have this safety device installed on important sections where density is heavy, speeds are high.

We suggest that the electrical control arrangements should be devised for the operation of out-lying points to colliery sidings so as to eliminate the existing time-consuming arrangements for their manual operation by the use of keys.

The Railways should embark quickly on an intensive programme for the training of existing staff.

An efficient communication system is an essential prerequisite to the proper regulation and control of movement of traffic.

Large scale theft of copper wires is affecting the railways' communication system.

Railways should undertake a crash programme of replacement of copper wires by ACSR conductors so that the problem of theft can be minimised.

An extensive micro-wave network connecting the railway headquarters and principal operational points will lead to efficient operation and control. The Railways have now launched a scheme for such a micro-wave network, which we suggest should be executed during the ensuing plan.

With a better tele-communication system and wagon control programme, quicker transit and better service to the customers will be possible.

Limitations of finance should not stand in the way of providing an efficient communication system for the Railways.

#### Railway Safety

The progress made in the implementation of the Railway Accidents Committee's recommendations are given in para 9.03 of this report.

Railway Board have not accepted 22 recommendations and the broad categories into which these 22 recommendations fall are given in para 9.04 of this report.

The reasons given by the Railway Board for not accepting these 22 recommendations are given in Annexure IX/9.

Considering the paramount need for improving the discipline on the Railways, recommendations contained in items 50,62 and 65 are very vital and we suggest that the Railway Board should re-examine them once again for implementation.

While there has been improvement in the percentage of staff who attended refresher course out of those who are due to attend, we feel that the Railways should take vigorous steps to improve the percentage still further.

We suggest that the Psycho Technical Cell attached to the Railway Board's Office should make a study of the personality characteristics of drivers and station masters, who have been involved in collisions and see whether any pattern emerges in regard to their recruitment, their age groups or their educational standard, which may point to the need for remedial steps.

We have gone through some of the inquiry reports on the recent collisions and we find that even on sections where track circuiting or automatic signalling has been provided, collisions have taken place because of the failure of the human element. This shows the paramount need for the staff to be vigilant and for the continuance of the safety drive in all directions.

One of the reasons for the incidence of human lapses leading to accidents is the standard of discipline at various levels.

In the interest of the safety of the travelling public, it will be an appropriate step to exclude railway employees connected with the safe running of trains from

the purview of Articles 311 of the Constitution, so that disciplinary action can be swift in the case of those who cause accidents and loss of human life.

We recommend a system similar to the "Brown" system of discipline in force on the Canadian Pacific System for use on the Indian Railways.

A feeling is prevalent among the staff that even if they do not work satisfactorily, they can get away with it either lightly or altogether by taking advantage of the dilatory procedures or by bringing outside influence.

It is not suggested that the recent spate of accidents is entirely due to a fall in discipline standard, but we cannot completely rule out this factor from our consideration.

It has to be impressed on the staff and officers that they should adopt constitutional methods to get their grievances redressed and should not try to enlist the support of an outside agency for this purpose.

The existence of multiplicity of rival unions in the Railways with supervisory and other staff drawn into their fold as office-bearers creates unhealthy tendencies amongst the office-bearers and active workers of the unions. We reiterate the recommendations of the Railway Accidents Committee that senior supervisors should be debarred from becoming office-bearers of the unions. We urge the unions not to take up an agitational approach in staff matters including individual cases but to settle matters with the administration through constitutional means available to them.

#### Research, Designs And Standards Organisation

The future of the Indian Railways lies in modernisation and introduction of improved techniques for efficient operation and for greater safety. The Research, Designs and Standards Organisation has, therefore, a very important part to play.

Functions of the R.D.S.O. have since been enlarged and diversified on the lines suggested by the Railway Accidents Committee.

The R.D.S.O. has to function as technical adviser to the Railways and thus its activities span the entire field of railway engineering.

For some time, the Central Board of Railway Research has been meeting only once a year. We have seen the minutes of some of its meetings. We are constrained to remark that there has been a gradual falling of the attendance of outside members and often only representatives, who are not high up in the profession, are sent. On the whole, the deliberations of the Central Board of Railway Research lead us to suggest that its working and that of its Sub-Committees should be revitalised.

While the programme of research and its priorities should be laid down by the Railway Board and the

C.B.R.R., set up for the purpose, the Director General, Research, Designs and Standards Organisation should not be restrained from undertaking any work on his own.

It is necessary that the work of the R.D.S.O., as a whole, should be periodically reviewed by the Railway Board in great detail. The Committee found that recently the whole Board visited the Research, Designs and Standards Organisation and spent considerable time in assessing the work and giving guidance on the spot.

We have been disappointed to note that the first review of the activities of the R.D.S.O. to Parliament did not contain any worthwhile evaluation of the research activities of the R.D.S.O. made by the Central Board of Railway Research or by the Railway Board. We recommend that a suitable evaluation technique should be developed and the Central Board of Railway Research should comment on the activities of the R.D.S.O. and its evaluation. This review should then be placed before the Parliament once in three years with the Railway Boards Comments.

It would be advantageous if a highly qualified mathematician, an industrial chemist, and a physicist, who is a specialist in electronics are appointed in the Research, Designs and Standards Organisation as early as possible. With their knowledge and experience in fundamental research they will supplement the applied research work undertaken by the Railway Engineers.

As the activities are further enlarged, the Railway Board should unhesitatingly increase the strength of technical officials as required. In respect of non-technical personnel, the Railway Board should examine whether there is need for such a large number in the R.D.S.O. as at present.

In the matter of equipment, the R.D.S.O. does not compare well with the institutions abroad. The R.D.S.O. should therefore, take steps to build up the necessary equipment for the promotion of research.

The R.D.S.O. has to develop further its laboratories and equipment, and it should build up its cadre of expert research personnel. Unless this is done, technical development in various fields on the railway will be handicapped particularly when very little railway expertise is available in the country outside the railways.

Certain lines, on which the attention of the R.D.S.O. should be directed, have been emphasized in para 10.11 of this report.

It should be the policy of the Railway Board to invite foreign experts from other countries to visit the R.D.S.O. and to exchange ideas with them and review the lines on which investigations are being done. Notable scientists in India should be requested to visit

the R.D.S.O.

The Documentation and Publication Section needs greater attention. This Section should be placed under a technically Competent Joint Director.

Staffing is an extremely important problem, as the progress depends entirely upon the quality of the personnel employed. Only such Railway men, as possess a special aptitude and acumen for research work should be selected.

As regards the Directors and other officers and staff, the Director General R.D.S.O. should be allowed sufficient discretion to pick up suitable personnel who should be readily spared by the Railways.

Continuity of tenure in an organisation of this nature is of prime importance. The question of seniority and emoluments should not hamper the research organisation in recruiting the best talent available and getting the best out of them.

We suggest that successful research workers may be allowed extension of service up to the age of sixty years and that in special cases they may even be allowed to continue beyond this age.

We would like to emphasize that even though due care may have been taken in making the first selection, the work of selected personnel should be carefully watched from the start and any one found unsuitable should be promptly returned.

There should be a periodical review once in three years of the work of every individual engaged in research and allied activities in the R.D.S.O. so as to assess whether the standard of his work merits any incentive. Such a procedure already exists in the Council of Scientific and Industrial Research.

We note the recommendation of the Railway Accidents Committee that there should be continuity in the tenure of the Director General, R.D.S.O. We regret that this recommendation has not been heeded to. We urge that the policy advocated by the Railway Accidents Committee should be implemented in future.

Necessary facilities for the proper training of the research personnel so as to promote their knowledge of advanced scientific and technical subjects should be made available.

It is inappropriate that any technical recommendation or proposal of the R.D.S.O. should be examined and commented upon by any one lower in rank than a Director in the Railway Board.

We consider that it will be prudent to widen the scope of the consultancy work that is being taken up by the R.D.S.O.

We reiterate the recommendation of the Railway Accidents Committee that it should be the Research, Designs and Standards Organisation who should certify new designs of locomotives and rolling stock. The



Research, Designs and Standards Organisation is well equipped for this purpose, and, therefore, there is no point in having an overlap of functions between the R.D.S.O. and the Commissioner of Railway Safety.

In the matter of prescribing standards, it should be the R.D.S.O. that should advise the Railway Board and not the Commissioner of Railway Safety.

The technical expertise of the R.D.S.O. and its status as a technical consultant and the top railway research organisation should be built up by adopting the policies suggested in earlier paragraphs. We hope that in this manner, the R.D.S.O. can earn recognition not only in this country but abroad also.

#### Stores Organisation

The annual procurement of railway stores through the Director-General, Supplies and Disposals comes to about Rs. 100 to 120 crores. As per the existing procedure, Railways are dependent on the Director General, Supplies and Disposals for supply of even essential items required for maintenance, delay in the supply of which holds up at times operations in the workshops and in the field.

We consider that all items of stores, which are purchased only by the Railways and not by other governments, for example, items like rolling stock components, track fittings and tools, train lighting equipment, electric traction equipment and signalling equipment, should be taken over from the central procurement agency by the Ministry of Railways.

With the acceptance of our suggestion, some additional purchase work will devolve on the Stores Organisation and the Railways. We suggest that as far as possible this work should be passed on to the zonal railways, the Railway Board only bringing about the necessary co-ordination.

We consider that the system of inventory control should be modernised. The inventory holdings on the railways are of the order of Rs. 140 crores, which is considered high. Effective steps should be taken for bringing down this inventory.

Certain modifications and streamlining of stores procedures have been suggested in paras 11.11 to 11.14 of this report.

#### Railway Protection Force

It is evident that the Railway Protection Force has not been effective enough and the results have not been commensurate with the large annual expenditure of over Rs. 9 crores incurred on maintaining it.

The General Manager, as the head of the zonal railway, should have effective control on the Railway Protection Force. It has to be appreciated that the Railway Protection Force is essentially a service organi-

sation for the Railways.

The Chief Security Officer should be placed under the effective control of the General Manager. The appeal against the orders of the Chief Security Officer should be dealt with by the General Manager.

The Security Officers and Assistant Security Officers in the divisions should take orders from the Divisional Superintendent. The Divisional Superintendent should write the confidential reports of the Security Officers and Assistant Security Officers functioning under him and them forward them to the Chief Security Officer.

In the railway workshops, the officers of the Railway Protection Force should be responsible to the works Manager.

The problem of thefts and pilferages constitutes an important cause of diversion of high rated traffic to the road despite favourable rail freights. The remedy lies in R.P.F. Officers and staff working in close liaison with the Operating and Commercial Officers.

#### Role Of Vigilance Department

It is considered that the present practice of referring the enquiry reports on complaints against officers to the Central Vigilance Commission should continue.

The departure from the Kriplani Committees recommendation in the matter of consulting the concerned heads of departments is not a desirable change.

A comparison of the number of complaints enquired into and punishment inflicted after the present Vigilance Organisation came into existence with that of the position prior to it shows that although a larger number of enquiries were instituted against officers, the number of cases in which punishments were inflicted was much less.

Since serious consequences follow the institution of a vigilance enquiry, it is necessary that the initial screening of the complaints should be done thoroughly so as to avoid innocent staff being involved in these enquiries.

We recommend that the arrangements suggested in the Kriplani Committees recommendations should be restored.

We consider that it is inappropriate for a judicial or a quasi-judicial body like the Vigilance Organisation to have informers, i.e. spies. Action taken against the complaints who make false complaints or give false information appears inadequate.

It would be desirable if the C.B.I. concentrated on the types of cases mentioned in para 13.10 (a to d) of this report.

The vigilance organisation should work in such a manner that bona-fide actions are not questioned. Uninternational lapses, errors of judgement or matters arising out of exercise of discretionary powers where

evidence is lacking should be left to the care of the departmental authorities.

The General Manager and his heads of departments have a leading role to play in prevention of corruption and nothing should be done which may create on impression in their minds that they have been relieved of this responsibility or that it has to any extent been diluted. In fact they should be judged by their success in keeping down corruption.

The problem of prevention of corruption should be tackled on the following lines :

(i) A strong public opinion should be built against corruption.

(ii) Anonymous and pseudonymous complaints should not be taken up for enquiry. In respect of signed complaints, the bona-fides of the complaints should be first established.

(iii) People should be appointed to the high posts in the Railways only after making sure about their honesty and competence. When once selected and appointed they should be trusted and made responsible fairly and squarely for weeding out corrupt persons.

(iv) The contents of a complaint should not be viewed in isolation without considering the full circumstances of the case and also the reputation and past performance of the person against whom the complaint has been made.

It is only the head of the department who can examine these complaints in the above perspective and can tender advice as to the course of action. Vigilance officers should, therefore, invariably consult the head of the department of the Controlling Officer.

(v) In the event of difference of opinion between the Chief Vigilance Officer and the head of the department, the case should be referred to the General Manager, whose decision, whether an enquiry is to proceed against a Class II, III or IV staff or not, should be final. Cases of Class I officers should be referred to the Railway Board, where the Board Member should be consulted whether an enquiry is to proceed.

(vi) A monthly statement of the complaints against officers which have been filed after preliminary scrutiny should be sent to the Chief Vigilance Commissioner for his information and any instructions received from him for pursuing any of these cases should invariably be complied with.

(vii) Action must be taken in all cases against the sources or the complaints who have falsely implicated a railway official.

(viii) Cases of alleged misuse of discretionary powers should be left to be handled by the concerned executive authorities.

(ix) In cases where real corruption or corrupt practices are involved, the vigilance machinery should

function swiftly and punishment should be stringent, particularly in the cases of officers.

The size of the Vigilance Organisation on the Railways, as shown in the table in para 13.09, is definitely too heavy and has no parallel in any other Ministry including the Defence Ministry.

It is considered that there is no necessity to have an officer of the rank of Director General in the Railway Board for vigilance work. The present vigilance organisation should be converted into a directorate.

There is no need for such a large number of Deputy Directors in the Vigilance Directorate.

It is considered that unless the administration has reasons to think that the continued stay of a particular person at a certain place is undesirable, there should be no need to transfer staff just as a matter of course every three years, because this causes personal hardship and dislocation of children's education.

As regards the set-up on the Railways, we consider that not more than two or three senior scale officers should be earmarked specifically for the vigilance work. The senior Deputy General Manager should continue to be in overall charge of the vigilance work, but he should consult the heads of departments on complaints pertaining to the officers and staff working under them.

The C.B.I. or the S.P.E. should also consult the General Manager or the Railway Board as the case may be before starting an investigation on their own. If there is difference of opinion between them whether an enquiry should proceed or not, the case may be referred to the Central Vigilance Commission whose decision would be final.

#### Finance And Accounts Department

It has been represented by certain railway administrations that the general principle of the Accounts Officer being a friendly critic is more or less set at naught at the lower levels because of lack of appreciation by the letter of their proper role. The correct attitude to be adopted by the Finance and the Executive officers in dealing with the financial problems needs to be re-emphasized. The attitude of the financial officers should be to help the executive and to avoid being meticulous. Similarly, the executive officers on their part should give due consideration to the financial advice and if a difference of opinion still persists, the matter should be referred to the higher level for a decision.

There is an urgent need for a major change in the role assigned to the Finance and Accounts Officers of the Railways. These officers have a great part to play in rendering advice to the General Managers and the executive officers on matters concerning economy, operating efficiency and the overall finances of the

Railways. The meticulous scrutiny of individual small proposals already approved and sanctioned irrespective of the magnitude of these individual matters should not receive much attention of the Finance and Accounts Officers. Their energy should be concentrated on items like :

- (a) Performance budgetting,
- (b) Effecting economy and overall efficiency,
- (c) Detailed examination of major schemes.

For performance budgetting, adequate costing data should be available and for this purpose it will be necessary to develop norms of dependent cost for operation. Once these norms have been prescribed, the increase in operating expenditure required for incorporation in the budget.

The top executive should have a clear picture of the increase in expenditure due to various factors and where the expenditure is disproportionate to the output, steps should be taken to investigate and take remedial measures.

Performance budgetting can be successfully carried out only if the accounting and costing systems are improved, and the flow of information from the various points of Railways to the Divisions and the headquarters of the Railways is prompt and up-to-date. These points should engage immediate attention of the financial administration on the railways.

We consider that there is an urgent need for the Railway Board to set up a Committee of expert Railway Officers to review the various provisions contained in the Accounts, General and Engineering Codes and to modify them to suit the efficient functioning of the Railways. The size of operations on the Railways has increased enormously and the costs have gone up. Therefore, to have the same scale of checks and counter-checks and booking of expenditure as was required in the thirties is not suitable in the present circumstances. There is therefore, need for a new concept and revision of the various code rules.

We recommend that the various procedural orders issued from time to time should also be the subject matter of examination by a Committee along with various codes for evolving a simplified set of rules.

#### **Market Research And Development, Customer Satisfaction And Rail Road Co-ordination**

During the last few years, high rated commodities like cotton goods, manufactured articles, sugar etc., have gone to the road in increasing quantities, leaving the railways to handle bulk traffic like coal, iron ore etc.

For improving the finance of the Railways, it is necessary that more and more high-rated traffic is won back to the Railways.

Railways are also facing road competition on long distance routes particularly where break-of-gauge transshipment poses a problem.

When comparing investments for augmenting capacity either in Railways or Road Services, it should be borne in mind that the Railways, as a common carrier can not refuse any particular commodity, whereas individual truck owners can pick and choose, which places the Railways in a disadvantageous position. If, therefore, traffic increases and rail facilities remain inadequate, the high rated commodities, which are more susceptible to diversion, will go to the roads and this will weaken the financial position of the railways.

Some of the reasons which militate against the traffic being won over by the railways are mentioned in para 15.03 of this report.

The prime consideration of the Commercial Department of the Railways should be to give customer satisfaction. Claims should be settled promptly and in a business like manner so that occasions for re-opening the claims may be rare. Two of the chief reasons for claims are mis-dispatch of wagons and wagons getting unconnected particularly at transshipment points. With an improved telecommunication system and computerisation on railways, it should be possible to minimise inconveniences to the customers.

In the matter of free time allowed for loading, unloading, demurrage and wharfage, etc., the Railways should not be too rigid and, in special cases, should allow such relaxation as the circumstances warrant.

The container service, being a recent introduction on the Indian Railways, it is essential that studies should continue for improving their design and handling facilities. This container services should be gradually extended bearing in mind the gains achieved.

Market research has assumed utmost importance and the Railways should take steps to estimate the possible future developments in industries, the direction-wise movement of goods and the type of specialised stock or service that may be required.

The object should be to offer personalised service to the users. For this, purpose, the customers and industries should be classified on the basis of commodity-wise studies.

Unless the Public Relations Department of the Railways is alert and prompt in projecting the image of the Railways in respect to improved facilities that Railways are offering to customers, the railways will continue to be at a disadvantage in competing with other modes of transport.

We recommend that the Public Relations Organisation in the Railway Board should be under a railway officer having a flair and special training for public relations work. The railways too should take special

care to select officers for the posts of Chief Public Relations Officers and they should get special training and once they are in position they should hold the post for a minimum period of four to five years.

#### Unremunerative Lines And Special Burdens Of Railways

Expenditure on unremunerative items should be avoided unless the State Government or the organisation, which sponsors such works, is prepared to meet the deficit.

The problem of new lines or the removal of unremunerative existing lines should be viewed from the angle of overall economic cost to the country in rendering the required service.

Considering the large number of over/under bridges, which the State Governments and Local Bodies want to have in a year, they should take steps to find funds required for their portion of the work.

Unremunerative branch lines on the Indian Railways are causing an annual loss of about Rs. 6.6 crores to the Railways.

We recommend that wherever an alternative mode of transport is available or is capable of further improvement, for handling the traffic now carried by the Railways, losing branch lines should be closed down.

It will be worthwhile for the Railways to consider handing over the formation of track after removal of rails and sleepers and existing railway assets like building free of cost to the State Government so that the continuance of unremunerative branch lines may be avoided.

On a conservative reckoning, Railways are sustaining a loss of about Rs. 4 crores per annum on suburban traffic at present, but with the increase in traffic this loss will go up further.

Steps will have to be taken in the metropolitan areas to develop underground railways or elevated railways to avoid further pressure on the existing facilities. We are of the opinion that Indian Railways are the best suited to operate these schemes for serving the metropolitan cities. Suitable financial arrangements will have to be made between the Union Government, State Governments and the Railways for operating such schemes so that the Railways may not have to bear the burden of any losses on account of operating such services.

We understand that the Railways have been spending considerable sums of money for the last few years on security patrolling. The maintenance of law and order is the responsibility of the State Governments. We consider that the Government of India should arrange with the State Government to relieve the Railways of the financial burden for security patrolling.

#### Analysis Of Working Expenses And Suggestions For Economy

There has been a continuing trend of losses on the Northeastern, Northeast Frontier and Southern Railways. On the Northern Railways, there has been a sudden reversal of the financial results during 1964-65. We, therefore, strongly urge that the Railway Board should have a periodical analysis made of the financial results of Railways.

While the rise in working expenses under various demands has been, to a large extent, due to the increase in wages and price of materials from time to time, our analysis shows that there is scope for effecting economy under certain heads of expenditure.

While retrenchment may not be possible, the Railways should take steps to analyse the staff strength in detail in the various departments and declare surplus accordingly. Effective measures should be taken to absorb them in future vacancies.

Norms should be worked out for staff strength in various departments in various jobs. This is an important means which the Railways should adopt to improve their operating efficiency and financial position.

Short distance passenger traffic leads to disproportionately high level of expenditure in relation to earnings. The Railways should, therefore, review their passenger train services and keep down short distance passenger services, where road services can suitably cater to their needs.

On the double line sections if the need for diesels is no longer there on line capacity consideration Railways should consider diverting these diesels to other single line sections, particularly to areas that are remote from the coalfields.

Railways should take up detailed work studies and job analysis in areas like marshalling yards, major terminals, booking offices and goods sheds to improve the methods of working and thereby effect economy in staff. It should also be possible to close down some of the crossing stations which have no commercial importance on double line sections.

We recommend that the subject of overtime rules for running staff should be looked into by a Committee of officers and suitable modifications effected so that there may be an element of incentive in it and the payment is not based principally on the hours spent on route.

By a rational analysis, it should be possible to avoid proliferation of staff categories.

One of the reasons for the increase in coal consumption on certain railways in the increase in coal consumption on shunting engines.

The coal consumption on (B.B.G.) shunting engines has increased disproportionately in relation to shunting

engine hours.

An analysis of coal consumption on the movement of goods traffic indicates an average increase of 26 per cent on the Indian Railways. Even allowing for all factors including a lower calorific value, the increase in consumption should not have been more than 15 per cent. We are, therefore, driven to the conclusion that there is considerable loss on account of theft. If even 5 per cent of this is saved, there will be a saving of Rs. 4.4 crores a year approximately. The Railway Protection Force which exists for controlling these thefts has apparently failed in this respect.

We recommend that a review of coal consumption on the basis of what has been done previously by the Expert Committee should be periodically done.

In the case of diesel oil consumption, there is a distinct increase in the case of central, Northeast Frontier and Southern Railways.

It is necessary to devise effective measures to ensure that any tendency towards leakage of diesel oil is firmly controlled.

Lubricating oil consumption also needs booking into and a continuous watch should be maintained to keep down the consumption.

Railways should continue, as a long term plan, to expand electrification on more and more of their trunk routes, particularly in areas remote from the coalfields.

We recommend that the Railway Board should make periodical reviews of the financial results of the working of the Railways and take appropriate action to arrest any downward trend in net earnings.

### Financial Position Of The Railways

The Railways have had handsome surpluses during the First, Second and Third Plan Periods. The picture however, was reversed in 1966-67 and 1967-68.

The two main reasons which have led to this position are :

(i) The rapid increase in the capital-at-charge with consequent liability for a much larger dividend payment; and

(ii) Inadequate development of freight traffic.

The Railway Minister should regulate their annual investment in future on the basis of a continuous review of the forecast of traffic.

The trend of major developments should be watched by railways. The development of rail facilities takes time, but the time lag is usually less than that required for the development of a expectations, the provision of rail facilities should be correspondingly deferred to the extent practical.

Based on certain assumptions of traffic, the Railway Board had at the beginning of the year worked out an assessment of the working expenses, operating ratio,

and net surpluses for the years 1969-70, 1970-71 and 1971-72. Based on these assumptions the assessment showed that the Railways would be left with a net deficit of Rs. 25.4 crores over this period.

The lack of adequate surpluses during the 3 years—1969-70, 1970-71 and 1971-72 and also the recent trends in traffic, the growth of which has been lower than that assumed for the assessment, makes it clear that a more cautious approach is necessary in the matter of capital investment, contribution to depreciation reserve fund and expenditure out of the development fund.

We suggest that expenditure out of development fund should be reduced to about Rs. 18 crores a years. The level of expenditure on passenger amenity works should be curtailed to a crore of rupees per year. Items like platform shelters, extension of waiting halls, etc., mean recurring expenditure on their maintenance and this is one of the reasons why the maintenance expenditure on the Railways has been increasing from year to year.

A scheme of expenditure for the five years period from 1971 onwards is contained in Para 18.15 of this report.

The recent budgetary deficits have so attenuated the balance in the revenue reserve fund that the interest available thereon which can be utilised in future for amortization is nominal. This stresses the need for the Railways to build up their revenue reserve fund to comfortable levels in the coming years. To help the Railways in this regard, the dividend liability on line capacity works, doublings, conversion of gauges, major remodellings, etc. Which cost more than Rs. 1 crore individually should be limited and these works should be treated on par with new lines and there should be a moratorium on payment of dividend for such works for a period of five years. A somewhat similar procedure should be adopted in production units.

The actual growth in traffic during the last six months, particularly passenger traffic, has been below expectations and, as such, Railways have to exercise great caution and do all that is possible in the matter of effecting economy.

The first priority has to be given to economy in expenditure. One of the reasons for the present level of expenditure is the level of staff input obtaining at present on the Railways. It should be possible to reduce the staff input per unit by effecting suitable improvements in operational techniques and by the use of improved technology. In view of the declared policy of the Government that no serving staff should be retrenched, this may not achieve any substantial economy in the short run. The objective should be to obtain this reduction over a period of time by working off the surpluses against the normal attrition of staff by

retirement etc.

When there is a recession in the economy, it is not desirable to attempt neutralisation of the effects of recession through increases in fares and freights. It might, however, be possible to get some additional earnings by making selective increases in certain fields. There are commodities, the freight on which does not cover even the cost of transportation. We suggest that the question of freight structure should be remitted to a Committee after the preliminary investigations which are under way by an Officer on Special Duty are over.

The Railway Board must make urgent studies of the fare structure, particularly for all short distance passenger traffic and bring it more in line with costs.

In the overall assessment, passenger traffic does not pay and the loss is fairly substantial. Uneconomic services should not be perpetuated. If the existing level of fares cannot be enhanced to make up the loss, then a measure of austerity and overcrowding will have to be tolerated to avoid any further increase in the loss.

#### Future Policy For Development

On the basis of existing traffic trends, the rate of investment on the Railways should not exceed Rs. 125 crores annually excluding the throw forward costs of new lines. If the rate of increase of traffic exceeds 3 per cent per annum, for every extra one million tons an additional investment of about Rs. 7.5 crores should be adequate.

We suggest that before starting the implementation of any of the major schemes, the Board should keep itself informed of the corresponding developments envisaged in the industrial plan and postpone investment in them if any scheme is lagging behind.

Further increase in the loads of some of the important mail and express train may be considered.

For further development of capacity, before doubling of the track is contemplated, other possibilities should be fully explored.

For securing optimum economic results, the best course is to electrify or dieselise long stretches of sections where large scale through movement is involved so that the locomotives hauling the traffic may move long distance without a change. Judged in this light, the Vijayawada—Madras section does not seem an ideal one for electrification.

We suggest that for future electrification the following sections may be considered :

- (a) Tundla—New Delhi,
- (b) New Delhi—Agra Cantt,
- (c) Mathura—Baroda,
- (d) Bhusaval—Durg; and
- (e) Madras—Cochin.

Metre gauge conversion to broad gauge is extremely

important for the development of capacity and ensuring economy.

Running longer goods trains is another device for eliminating line capacity works.

The replacement cost of vacuum brakes with air brakes for all the wagons on the Indian Railways may be of the order of Rs. 84 crores.

The Research, Designs and Standards Organization has reached the conclusion that the maximum load which can be hauled with the modified vacuum brakes is about 4050 tons.

As the traffic on the trunk routes is bound to increase particularly for movement of coal, it may be necessary to run longer trains to avoid quadrupling of such trunk routes. For running longer goods trains air brakes will become a necessity. The longer it is put off, the greater will be the cost replacement of vacuum brakes by air brakes may be confined to about 2 lakh wagons and the cost will work out to about Rs. 60 crores.

Railways should aim at a higher target of output for the rolling stock and this will be possible only if there is not too large a cushion of surplus rolling stock.

Acknowledgements : We must in conclusion acknowledge the valuable help we have received from our Member-Secretary. He had to shoulder a very heavy burden because he had to discharge his duties as Member-Secretary in addition to carrying on his normal work as an Additional Member of the Railway Board. In spite of this serious handicap he was able to fulfil his responsibilities towards the Study Team on Railways which must have taxed his energies to the full with conspicuous ability and efficiency and without showing that his onerous duties had imposed any strain on him.

We must also acknowledge our indebtedness to the Special Assistant, Shri M.R. Anand, and his very small and inadequate staff. Our wide terms of reference required collection and analysis of voluminous data but our small staff which had to work for a long time under heavy pressure carried out the task allotted to it cheerfully and efficiently. The brunt of the work had to be borne by the Special Assistant. His outstanding ability, resourcefulness, tact and devotion to duty were a real asset to the Team.

#### Annexure II/2

The Directorates in the Railway Board have proliferated with the passage of time and their strength has also shown a marked upward trend, as will be clear from the statement marked Annexure II/3. In 1956-57, which has been taken as the base year, when the railway working was attuned to the new conditions, created by the large scale development envisaged in the

Second Plan, the gazetted strength of the Directorates, as would be seen from the details given below, was 200 as against 299 in 1967-68 :

	1956-57	1967-68
Directors	12	19
Joint Directors	22	42
Deputy Directors	31	66
Asst. Directors	14	23
Section Officers	103	110
Misc. Officers	18	39
<b>Total</b>	<b>200</b>	<b>299</b>

Like the strength of the gazetted staff, the strength of the non-gazetted staff has also gone up considerably as shown in juxtaposition below :

Class III	1956-57	1967-68
Assistants	325	456
U.D.Cs.	66	131
L.D.Cs.	278	308
Steno-typists	58	97
Stenographers	153	178
Misc. Categories	109	290
<b>Total</b>	<b>989</b>	<b>1,460</b>

#### Class IV

Jamadars, Record Stores, Daftries, Peons/Messengers, Frashes, etc.

An examination of the working of the Directorates has revealed that whereas the work in a few Directorates has remained steady or even increased, there is a strong case for abolishing some of the Directorates and transferring the work left over to other Directorates and scope for reducing the strength of the staff in many of the remaining ones.

	1951-52	1956-57	1961-62	Dec. 1967
Director	—	1	1	1
Joint Director	—	—	3	3
Deputy Directors	—	3	6	3
Assistant Directors	—	—	—	—
Q.S.D's.	2	—	1	—
A.D.O's.	—	—	1	2

**Stores Directorates :** The number of officers dealing with stores work in the Railway Board has varied from time to time as follows :

This Directorate did not exist prior to 1956-67. In 1956-57, the Second Five Year Plan involved a considerable import of a large variety of materials and, to cope with this expanded demand, a stores organization was set up. The main functions of the Stores Directorate are :

- Importing steel by issuing global tenders ;
- Importing wheels and axles required in excess of indigenous capacity ;
- Importing diesel locomotives ;
- Importing signalling equipment ;
- Issuing orders for wagon manufacture ; and
- Issuing sale orders for scrap on the Railways.

The requirement of rolling stock is worked out jointly by the Transportation and Mechanical Directorates and tendering and contracting work, even though a large number of producers are involved, it is not more difficult than it was prior to 1956-57. Wagon orders were previously placed by the Mechanical Directorate and once the orders had been finalised, the payment of bills was arranged by the Eastern Railway Wagon producers produced their own steel and other materials and assistance, if needed, was given by the Railway Board. Steel imports were also required then, because indigenous manufacture was very inadequate. The position of indigenous supply of steel now is very much better and should improve further. It has been shown later in para 28 the large organization for procurement of steel etc., which has been set up in the Wagon Production Directorate and it is considered that so much staff, in addition, is not needed by the Stores Directorate. Diesel locomotive import will also cease in a few years. Limited contracting work may be undertaken by the Mechanical Engineering Directorate, as was being done before, and it may be assisted by a Joint Director. In any case, all these demands have to be co-ordinated by the Mechanical Directorate and it might as well finalise the purchase arrangements.

In respect of signalling material, as the requirement will now be standardized and since there are only a limited number of suppliers of sophisticated equipments the Signalling Directorate can progress these contracts. In any case, they have to work out all the details and the additional responsibility of contracting is not difficult. Further, procedures are also well established now.

The Director, Stores also mentioned that he was initiating various measures for inventory control on the Railways including A, B and C analysis. It is considered that detailed instructions may be issued on this subject and the General Managers should be held responsible

for implementing them. Their Financial Advisers should maintain a super-check in respect of inventories, which they are in the best position to do. In the Railway Board, the Director, Finance (Budget) should likewise exercise control, through budgetary control techniques. The sale of scrap etc., should be regulated by the Railways in accordance with the policy of the Board and the controls exercised by the Government.

Stores work should, therefore, be decentralised to the maximum extent possible so that the General Manager are fully empowered to execute the tasks for which they are held responsible.

A Joint Director (Development) who is now posted in the Stores Directorate to maintain liaison with the Director-General, Technical Development for indigenous development, should more appropriately, function under the Director, Mechanical Engineering. He is in fact an officer of the Department.

The liaison Officer, Stores, in the Joint Director's grade, who liaises with the Director-General, Supplies and Disposals and assists the Railways should continue and be transferred to Mechanical Engineering Directorate.

**The Directorate of Health :** This Directorate came into being in 1958. Prior to this, the work was being managed by a Joint Director in the Establishment Directorate. Its composition from time to time is given below :

	1951-52	1956-57	1961-62	Dec. 1967
Director	—	—	1	1
Jt. Director	—	1	—	—
Dy. Director	—	—	—	1
Assistant Director	—	—	—	—

Considerable development of hospital facilities has already been made and further development should now be left to the Railways to sponsor, where a Chief Medical Officer of the same status as that of a Director already exists. Broadly speaking the Railways are self-sufficient in respect of their medical services and may be trusted to look after themselves in this sphere. There is no point in wasting the services of a capable senior doctor on desk work in the Railway Board and thereby simply adding to the administrative work of the Chief Medical Officers. This Directorate should be abolished and the work transferred to the Establishment Directorate, as was being done before 1958.

The Deputy Director, Family Planning, it is understood, is paid for by the Ministry of Health and if his role in the Railway Board is otherwise irreplaceable, he may be attached to the Establishment Directorate. The instructions of the Ministry of Health in his field could easily be conveyed to the General Managers by

the Establishment Directorate and the returns, now received from the General Managers, could be passed on to the Ministry of Health.

**The Finance and Accounts Directorate :** The strength of this Directorate has varied from time to time as follows :

	1951-52	1956-57	1961-62	Dec. 1967
Directors	2	2	1	2
Jt. Directors	2	6	5	5
Dy. Directors	3	3	5	6
Assistant Directors	2	1	2	2
O.S.Ds.	—	2	3	—
A.A.Os.	—	1	3	3

A Director was replaced in this Branch by an Additional Member Finance in 1957 but this post was received in 1963. In July, 1966 an Economic Cell has also been created, which consists of six officers including one Director and one Joint Director. This Cell in addition to the above mentioned strength. It has been mentioned in the discussions with the Railway Board that this cell will bring into use all the mode and techniques of economic analysis in assessing the economic viability of the works involving a substantial investment, as also determining the cost benefit to the economy as a whole. It is not possible to assess the value of the work of this Cell to the railways as its preparatory stage will take time. The Railway Board will presumably review it after some time.

We visualise considerable decentralisation to the railways. The financial soundness of ordinary development work should be checked by the Financial Advisers on the railways and their expertise for this purpose should be improved. Large projects and major developmental works, e.g. electrification, automatic signalling programme etc., should be only scrutinised in the Railway Board. If the suggestions made are implemented, it is considered that the functions of the Deputy Director, Finance (BC) and that of Deputy Director (Finance) Accounts could be combined into one. Only a few cases of sanctions required for officers posts will remain, and the Director, Finance should be able to handle this work with the help of two Assistant Directors. The post of Deputy Director Finance (E) may be abolished. The Joint Director Finance Stores should be retained but the post of Deputy Director, Finance (stores) may be abolished which should be feasible on account of the suggested modification in procedures and the reduction of stores work in the Railway Board. It is appreciated that the changes contemplated can only be implemented gradually and the staff adjustments may be suitably staggered. This Directorate should set an example regarding avoidance of duplication and unnecessary



work and in turn be a guide to others.

A costing Cell manned by two experts should be constituted to introduce a proper system of costing in the repair workshops, maintenance sheds and sick lines of the railways. Two Cost Accounts Officers have been posted under the Statistical Directorate. They should, however, be top class Cost Accountants who can initiate modern cost accounting in conjunction with the modification of statistical data. The system at present in vogue is completely out-dated and a realistic picture of cost is not available. Since performance budgeting has been proposed, it is extremely important to introduce a system of costing for maintenance of rolling stock and to insure comparable cost figures in different centres with a view to exercising an effective cost control. These experts after carefully studying the problem, should issue clear directives to the railways and train the staff for introducing the changes.

A substantial reduction of work is possible in the Finance and Accounts Directorates and it is suggested that in the beginning an endeavour may be made to work with following strength :

Directors	2
Jt. Directors	5
Dy. Directors	3
Asst. Directors	2

In course of time it may be possible to bring down the strength of the Joint Directors as well.

**Signalling and Telecommunication Directorate :** This Directorate was established in the year 1957. Its strength, as it is existed from time to time, is reproduced below :

	1951-52	1956-57	1961-62	Dec. 1967
Directors	—	—	1	1
Jt. Directors	—	—	1	2
Dy. Directors	1	3	4	4
Asst. Directors	—	—	4	3
Advisers (S & T)	—	1	—	—

A regular programme for modernization and development of signalling has been suggested and this has been accepted by the Railway Board. The work in this Directorate will now mainly be confined to preparing an integrated plan for development on different Railways in accordance with the accepted programme and the planning of equipment and materials from year to year will also be correlated to such a standard development. Its task, therefore, has been made very much simpler. The Research, Designs and Standards Organization is now developing the technique of preparing design drawings for route relay inter-locking and mechanization of marshalling yards. Two well-known indigenous manufacturers of sophisticated

signalling equipment have agreed to supply all the equipment indigeneously, subject to the Railway Board entering into a long term contract and allocating the necessary foreign exchange for the purchase of raw materials, which are not available in country.

The present strength of this Directorate includes one Deputy Director and three Assistant Directors for inspection work, who are posted in Calcutta, Bombay and Madras. An effective supervision can not be exercised from Delhi on their work. This inspection work should therefore, be decentralised under the chief signalling and Telecommunication Engineers of the Eastern, Central and Southern Railways. They will be able to conduct high level inspections from time to time with a sense of responsibility and accountability. These Railways have a number of senior scale officers also posted at the Head-Quarters and they could be utilised for inspection work. Further if such equipment is ordered from abroad, continuous inspection is not done and it is for consideration whether this is necessary in the case of equipment manufactured indigenously by a firm of the status of Saxby and Farmers or Siemens. Equipments purchased from smaller manufacturers should be inspected by the railways concerned or by making suitable arrangement with the railways operating in the area. This Directorate is to be retained considering the importance of the work but it is considered, it can be managed efficiently by one Director and one Joint Director.

**Electrical Engineering Directorate :** A separate Electrical Engineering Directorate came into being in 1956. The number of officers has varied as below :

	1951-52	1956-57	1961-62	Dec. 1967
Directors	—	—	1	1
Jt. Directors	—	—	—	1
Dy. Director	—	1	1	1
Asst. Director	—	—	—	—
Elec. Adviser	—	1	—	—

In the recent past this Directorate was doing work in the Board which was connected with electric traction.

There is now another high level organization in the Board under an Additional Member (Railway Electrification) for the execution of schemes for electric traction. Since the an Additional Member is in the Railway Board, coordination with the executive machinery has become simpler. The foreign exchange needs of this organization should naturally be worked out by him and this Directorate will have little to do with it. Technical Developments and lying down standards is the function of the Research Designs and Standards Organization. Techniques are well established. This

Directorate, therefore, essentially has to undertake planning and programming of the works of power generation and electrification of stations, yards, celleries, etc., for which the Director himself should be adequate and, therefore, there is no necessity for a Joint Director in this Directorate.

**The Planning Directorate :** This Directorate was established in 1956-57 and its strength has varied from time to time as follows :

	1951-52	1956-57	1961-62	Dec. 1967
Directors	1	1	—	—
Jt. Directors	1	2	2	3
Dy. Directors	—	4	4	4
Asst. Directors	—	1	2	3
O.S.D.				
(Commercial)	1	—	—	1

With the sanction of the post of A.M.C. in 1956, the post of the Director was abolished. Out of three Joint Directors, one is on special duty for containerisation. The work between the remaining two Joint Directors has been divided almost on the same lines as on the Railways. One of them deals with general matters and the other with Rates and Claims. This is a rational distribution and no change is practicable. On the General side, however, considerable work of a routine character is being dealt with which in our view should be eliminated. This, however, entirely depends upon the reaction of the Government and Parliament to our suggestions. This branch deals with almost every commercial problem of a general character, namely licensed porters, handling contracts, foot-board travelling, reservation of seats, retiring room reservation, etc. There is no justification for such work being dealt with in the Railway Board. It can well be imagined that all this leads to a considerable paper work on the Railways also, because ultimately it is they who have to provide the material for answering queries of issuing instructions regarding reservations etc. This work should be done away with, and if so, one Deputy Director (General) can be reduced.

	1951-52	1956-57	1961-62	Dec. 1967
Directors	1	1	1	1
Jt. Directors	1	2	3	5
Dy. Director	1	2	3	4
Asst. Director	—	—	1	1
Timber Adviser	—	1	1	*
O.S.D. (sleeper)	—	—	1	—
Land Adviser and Assistant Land Adviser	—	—	2	—

\*The post is now operated and JD (Timber)

**Civil Engineering Directorate :** This is one of the oldest directorates and prior to 1957 had been dealing with signalling also. Its composition through the years has varied as shown above :

**Establishment Directorate :** This is also an old well establish Directorate. Its strength has been as follows :

	1951-52	1956-57	1961-62	Dec. 1967
Director	1	1	1	1
Jt. Director	1	1	3	2
Dy. Director	2	3	3	6
Asst. Director	2	5	6	6
O.S.D. (Coop)	1	1	1	—
O.S.D. (Estt. Manual)	—	1	—	—
O.S.D. (Personnel)	—	—	—	—
Adviser (L & W)	—	—	1	—

No immediate change in the strength of officers in the Directorate is suggested.

**Directorates in the Mechanical Engineering Branch :** Originally there was only one Directorate of Mechanical Engineering dealing with the work of this branch. Due to special reasons then obtaining the work was split into three Directorates in course of time. The strength of these three Directorates from time to time has been as follows :

#### (1) Mechanical Engineering

	1951-52	1956-57	1961-62	Dec. 1967
Directors	1	2	1	1
Jt. Directors	1	5	2	3
Dy. Director	—	1	1	1
Asst. Directors	—	1	2	2
OSD (Coal)	—	—	1	—
OSD (Metric)	—	—	1	—
A.D.O. (Mech.)	—	—	1	1

#### (2) Mechanical Production (established in 1958)

	1951-52	1956-57	1961-62	Dec. 1967
Director	—	—	1	1
Jt. Directors	—	—	2	1
Dy. Directors	—	—	2	3
Asst. Director	—	—	—	—

Bearing in mind the necessity for retaining only higher level work in the Directorates, the strength should be brought down to the level that obtained in 1956-57. The revised strength may be one Director,

three Joint Directors and one or two Deputy Directors. The need for the Assistant Director may be reviewed by the Railway Board.

### (3) Wagon Production (established in 1962)

	1951-52	1956-57	1961-62	Dec. 1967
Director	—	—	—	1
Jt. Director	—	—	2	3
Dy. Directors	—	—	5	9
Asst. Directors	—	—	1	2
OSD (PF)	—	—	1	—
OSD (WP)	—	—	—	1
Inspecting Officers	—	—	—	2

In 1956-57 one post of a Director had been reduced when an Additional Member's post was created. As will be seen from the above statements, two new directorates were created in course of time with the required number of posts. In addition the post of one Joint Director was also added to the main directorate later.

It was recently decided to transfer the Directorate of Wagon Production under the Research, Designs and Standards Organization. This organization did not exist separately prior to 1961-62 but in that year, when an acule was created. Later in 1965, the Railway Board took over from the D.G. S.&D. the inspection work of wagons manufactured in the private sector and as a result, 24 officers and 38 non-gazetted staff were also taken over, who became part of this directorate in addition to those shown in the statement. From the duty lists, it appears that several officers are engaged only on stores work and there seems to be considerable overlapping of functions. Those engaged on stores work alone are :

Joint Directors stores (steel)	1
Joint Directors (I&S), Calcutta	1
Dy. Directors Steel (RS) Calcutta	1
Dy. Director (I&S), Calcutta	1
Dy. Director Steel (G)	1
Dy. Director Stores (Wagon)	1
Dy. Director Stores (Steel)	1
Asst. Director Stores (RS), Calcutta	1
Total	8

This seems too big an organization for the stores work involved. There was no opportunity to examine their work and it is, therefore, suggested that the Railways Board should rationalise the arrangement for procurement of steel and adjust the strength of the staff. The Railway Electrification Organization has also its strength of the staff. The Railway Electrification Organization has also its own officer for liaison with

the Steel Controller. Further, there is a Deputy Director (Bridges) posted at Lucknow for procurement of steel for bridges. Then again there are a number of officers on the Eastern Railway engaged on a similar work. All this should be coordinated and a rational arrangement introduced. There is also no apparent reason why wagon production group should be attached to the Research, Designs and Standards Organization. The better course would be either to place it under the General Manager, Eastern Railway or to form a separate composite unit, under a Controller of Stores.

Out of the remaining officers, those engaged on inspection and liaison work with the manufacturers are :

- Joint Director (I&L), Calcutta
- Dy. Director (I&L), Calcutta
- Dy. Director (Inspection), Calcutta.

These are obviously necessary and should remain a part of the Research, Designs and Standards Organization. Then there are the following officers in addition to the Director :

- Dy. Director (P.P.)
- Dy. Director (W.P.)

There work seems to be of a varying character and presumably reaches a peak level when contracts for production are finalised and tapers of later. It may be examined, whether the two posts could be merged into one. The Railway Board should have the whole set up of this organization reviewed in the light of the observations made above and readjust the strength as required. Coming to the Mechanical Engineering and Production Directorates, a reorientation of their work has been suggested. It is a matter of primary importance that the work in repair workshops is rationalised and repair schedules etc. reviewed, as suggested in Chapter VII. This will need considerable analytical work. Furthermore, the training programmes for staff, with the progressive change over from steam to diesel or electric traction, should be intensified so as to build up the requisite force out of the existing staff <sup>post</sup> running and maintenance of steam locomotive Directorate.

From the duty lists furnish <sup>ake</sup> a comprehensive duction Directorate keeps a <sup>ths</sup>.

the Production Units are there is considerable too there is a Civil Defence Officer The Production Units as in the case of Eastern Railway each, who is assive Officers. ; and Telecommunication : In the Signal-Board approvencommunications Department, there are four which is based nor scale as against free on the Eastern ral Manager : strength may be reviewed. different charnical : The existing strength of officers in the quantunical Department is given on next page :

Some co-ordination, however, is necessary between these units and the zonal railways for supplying certain components manufactured by them for use in repair work. Once this has been firmly laid down, nothing more is needed to be done. There are sufficiently senior officers in the zonal railway and the production units, who should be able to sort out their joint problems by mutual discussion without the intervention of the Railway Board should be rare. The tenth day D.O. reports and the published statistical data should normally suffice for keeping the Railway Board posted with their problems and developments. In respect of the foreign exchange allocation for import of components and materials, however, Railway Boards' assistance is needed. These are largely to be resolved by the Financial Directorate. To reduce correspondence, the Joint Director (Finance) may visit the Production Units periodically to make an appreciation of their requirements and then progress these with the Finance Ministry. Paper work should be cut down to a minimum and more use of the teleprinter service should be made. No modification of the strength in these sections is suggested. The directorate should concentrate on rationalisation and standardisation of work in the repair units and initiate measures for the training of staff, which, to some extent, is already being done. It has to be systematically arranged and pursued with greater vigour so that result materialise quickly.

Regarding the Joint Director (Fuel), it is disappointing that full awareness of the variation in consumption of fuel, including diesel oil and lubrication oil, is found lacking and the reasons for variation are not available in sufficient detail. His duty list shows that he is a member of a number of Committees. It would be better to relieve him from some of these Committees if they hamper him in his basic work. He should concentrate on fuel and oil consumption problems. Consumption statistics be periodically reviewed in sufficient detail.

**Safety Directorate:** This Directorate was formed by the Deputy Director of the Railway Accidents Committee. Its staff has been as follows:

	1954-55	1956-57	1961-62	Dec. 1967
Directors	1	—	—	—
Jt. Directors	1	—	—	—
Dy. Director	1	2	—	1
Asst. Director	—	—	—	1
Timber Adviser	—	1	—	2
O.S.D. (sleeper)	—	—	—	—
Land Adviser and Assistant Land Adviser	—	—	—	2

\*The post is now operated and JD (1) coaching work One Deputy

Director from this section may be reduced after the Wanchoo Committee has finished its investigations. Meanwhile, there is likely to be additional work in this Directorate.

#### The Secretary's Branch

	1954-55	1956-57	1961-62	Dec. 1967
Secretary (Director's Grade)	1	1	1	1
Jt. Director	—	—	—	1
Dy. Director	1	2	1	1
Asst. Directors	1	2	4	2

The future composition of this branch will depend, to a large degree, on the extent to which our recommendations regarding the reorientation of the functions of the Railway Board is implemented. Its responsibilities will be further enhanced if the officer-oriented pattern of working is introduced.

It is suggested that the record room and the typing section should be placed under the charge of officers of the status of Assistant Directors, who should sit with them and see that the work is promptly executed and delays avoided.

Regarding Security, Vigilance and Public Relations Directorate detailed comments have been made separately in Chapters XII, XIII and XV respectively.

The proposals regarding officers' strength made in the above paragraphs, are summarised in Annexure II/4. It will be seen from the above that the suggested strength of officers in the Board's office will be:

Directors	14
Jt. Directors	26
Dy. Directors	25
Asst. Directors	16
Misc. Officers	13
<b>Total*</b>	<b>94</b>

The total strength of Class III staff in 1956-57 excluding stenographers was 836 and that of the stenographers was 153. At the end of 1967, the strength had gone up to 1,281 and 178 respectively. This represents an increase of 53 per cent and 17 per cent respectively. In respect of Class IV staff comprising record stores, dastaries, messengers, peons, etc., the total strength in 1956-57 was 389 which has now gone up to 483 and this represents a substantial increase.

If the suggestions for the higher type of policy making and technical work being undertaken at the Board's level are implemented and the mode of working in the Railway Board is changed to the officer-oriented

\*Excludes Vigilance, Security, Stores and Statistics Directorates.

pattern and finally if the protocol of non-interference in the day to day working of railways is observed; it must result in a substantial curtailment of the Class III staff and the strength of this category may even be well below the 1956-57 figures. An economy of 33 to 40 per cent on the present strength is quite conceivable. As regards the Class IV staff the matter needs looking into very carefully and the future strength should be determined after a close scrutiny and a detailed job analysis. Substantial reduction in the strength of Class IV is definitely called for.

### Annexure III/5

#### Eastern Railway

(a) The continuance of a Civil Defence Officer seems unnecessary. Civil defence plans of the railways having been finalised, the post should only be operated in an emergency and the sanction should be revised accordingly.

(b) The senior Executive Engineer/Plant Depot/Moghalsarai should be posted at Moghalsarai. There is no point in posting him in the Head Office.

(c) Senior Executive Engineer/Project and Assistant Executive Engineer/Planning do not seem necessary as permanent sanctions. The sanctions may be reviewed.

(d) A number of officers have been posted temporarily to look after track improvement namely :

Engineer-in-Chief (Track)

Senior Executive Engineer (Track High Speed)

Senior Executive Engineer (Track Improvement)

The Railway Board should review these requirements.

(e) There is also a Senior Executive Engineer (Planning). It is difficult to understand why planning on this Railway now warrants the retention of a whole-time Executive Engineer.

(f) There are a number of Assistant Officers in the Commercial side dealing with rates namely :

Assistant Commercial Officer/Special Rates

Assistant Commercial Officer/Rates

Assistant Commercial Officer/Rates General

Assistant Commercial Officer/Rates General (I)

Assistant Commercial Officer/Rates General (II)

Now that rates have been mostly standardized, this strength seems excessive and should be reviewed.

(g) The Mechanical Department at present has the following officers :

(h) Senior Mechanical Engineer (Fuel) should be upgraded to the post of a Deputy Chief Mechanical Engineer (Fuel). Senior Mechanical Engineer/Planning and Project and the Senior Mechanical Engineer/Headquarters in the Mechanical Engineering side should be shifted from the Headquarters as Fuel Officers, one should be in charge of fuel consumption on the Howrah, Sealdah and Asansol Divisions and another for

CME	1
DCME/Running loco	1
DCME/Works	1
DCME/C&E	1
Senior Scale PA/CME	1
CME (Fuel)	1
SME (Maintenance)	1
SME (Operation)	1
SME (Planning and Project)	1
SME (Headquarters)	1
SME (C&E)	1
Junior Scale A.M.E. (Fuel)	1
AME (C&W)	1
AME (R)	1
AME (C&W) Box	1

the Dhanbad and Dinapore Divisions.

Assistant officers should be posted at the oil depots other than those inside loco sheds for supply of diesel oil to engines. One of them could be the Assistant Fuel Officer at the Headquarters.

(i) Under the Chief Accounts Officer, there is a post of Accounts Officer/Efficiency. It is difficult to understand what efficiency measures he is capable of introducing with his experiences. The necessity for this post may be reviewed.

(j) Under the Controller of stores there are following temporary posts :

Dy. COS/VI

SSOP/BI

SSOP/Dock

SSOP/Rail Dumb

SSOP/Box Wagon

SSOP/D&E

ACOS/BI

ACOS/Steel

Besides the above, there are permanent sanctions for two Deputy Chiefs, five States and seven Junior Scale posts :

The organisation seems over staffed. In para 28 of Annexure, II/2, we have indicated a number of stores post in Calcutta under the wagon Production Directorate. The Railway Board should make a comprehensive review and readjust the strengths.

#### South Eastern Railway

(a) General : Here too there is a Civil Defence Officer and the same remarks as in the case of Eastern Railway apply.

(b) Signalling and Telecommunication : In the Signalling and Telecommunications Department, there are four posts in the junior scale as against three on the Eastern Railway. The strength may be reviewed.

(c) Mechanical : The existing strength of officers in the Mechanical Department is given on next page :

C.M.E.	1
Dy. C.M.E.	3
Sr. Scale S.M.Es.	6
Jr. Scale A.M.E. (Fuel)	1

(i) The post of Fuel Officer may be upgraded to that of a Deputy Chief.

(ii) Divisional Mechanical Engineer/Headquarter and Divisional Mechanical Engineer/P & P should be posted in charge of fuel, oil and lubricants consumption on engines, one at Kharagpur to look after the Kharagpur and Waltair Divisions and another at Bilaspur to look after the Bilaspur, Adra and the Narrow Gauge Divisions. Chakradharpur Division has been practically electrified.

(iii) Same action is recommended for oil fuelling as on the Eastern Railway.

(d) Transportation : The necessity for a separate post of T.S. (steel) at the Headquarters may be reviewed considering that there is a separate Duty Chief Operating Superintendent/Goods. Divisional Superintendents should be able to look after the day-to-day works.

(e) Commercial : There are nine Assistant Officers in the claims side. Their strength seems excessive and the General Manager should review the requirement.

#### Northern Railway

(a) Commercial : There are fourteen Assistant Officers for handling claims and refunds. The number seems excessive and the General Manager should review the strength.

(b) Transportation : The post of Assistant Operating Superintendent (Planning) seems unnecessary. An Assistant Officer cannot be of much use for planning. A Deputy Chief Operating Superintendent (Planning) is already available to look after this work.

(c) Mechanical Engineering : The existing strength of officers in the Mechanical Engineering Department is as follows :

C.M.E.	1
Dy. C.M.E.	4
Sr. Scale	7
Jr. Scale	7

(i) The post of Divisional Mechanical Engineer (Fuel) should be upgraded to that of a Deputy Chief.

(ii) Works Manager (G) and Senior Mechanical Engineer (Progress and Planning) should be transferred from the Headquarters to function as Fuel Officers. One more senior scale officer's post should be created so that these three officers may be posted outside the headquarters to the Divisions to look after the fuel consumption work on the Divisions. The work may be suitably divided amongst them.

(iii) There are seven Assistant Officers, one under each senior scale officer, which is not the pattern elsewhere.

Out of these Assistant Officers it should be possible to provide those required for manning the diesel oil supply depots.

(d) Stores : The necessity for temporary posts of Assistant Controller of Stores (Planning) and Assistant Controller of Stores (Special) should be reviewed.

(e) Civil Engineering : The justification for temporary posts of—

X.E.N. Planning,
X.E.N. (Track Modernisation),
X.E.N. (Track Improvement), and
A.E.N. (Design)

should be reviewed. However, planning work on this railway is likely to be extensive and the post for planning may have to be retained.

#### Western Railways

(a) Commercial : Two Senior Scale Claims Officers have thirteen Assistant Officers to look after. This is a wrong distribution. We suggest that the conversion of two of the posts of Assistant Officers into one senior scale should be considered.

(b) Mechanical : The existing strength of officers in this Department is :

C.M.E.	1
Dy. C.M.E.	4
Sr. Scale	5
Jr. Scale	5

The post of fuel officer should be upgraded to that of a Deputy Chief Mechanical Engineer. A senior Mechanical Engineer (Diesel) at the Headquarters does not seem justified. The Deputy Chief Mechanical Engineer (RL) should be able to look after the normal running problems of diesel engines and the Deputy Chief Mechanical Engineer (Maintenance) likewise should do so in the case of maintenance. Problems of stores supply should be dealt with by the stores Department. Two additional senior scale posts should be created and including the Divisional Mechanical Engineer (Diesels), these three officers should be decentralised to the Divisions to look after fuel consumption as suggested in the case of other railways. Only the Assistant Officer Fuel among the Assistants in the Headquarters can be spared to look after one of the diesel oil supply depots and additional posts of Assistant Officers as required will have to be created for other depots.

(c) Civil Engineering : The department seems somewhat overstaffed. A separate extensive Organisation for survey and construction already exists. The necessity for the posts of Project Engineer, Assistant Project Engineer and Assistant Engineer (Special) should be reviewed.

#### Central Railway

The temporary post of Deputy General Manager

(General) does not seem to be necessary. Its jurisdiction had since been shortened. We visualise larger delegation of powers to the Principal Officers and other Heads of Departments and an intervening layer between the General Manager and these departmental heads could, therefore, be thinned out.

(d) Mechanical Engineering : The existing strength of officers in the Mechanical Engineering Department is as follows :

C.M.E.	1
Dy. C.M.E.	3
Sr. Scale	6
Jr. Scale	4

The post of Senior Mechanical Engineer (F) should be upgraded to that of a Deputy Chief. Two senior scale posts from the headquarters should be decentralised to the Divisions to function as Fuel Officers on the Divisions. Besides the Bombay Division, which is electrified, the work on the rest of the Railway should be divided between these two. Additional posts of Assistant officers should be created to take charge of diesel oil supply depots other than those located in sheds.

#### Southern Railways

(a) General : The temporary post of Deputy General Manager (General) should be surrendered. The post of Assistant Deputy General Manager (works) under the General Manager also seems unnecessary.

(b) Personnel : The temporary post of Officer on Special Duty/Discipline Enquiries is not required. Consistent with the reduced staff strength and jurisdiction of this railway, four senior scale posts seem adequate.

(c) Mechanical Engineering : The existing strength of officers in the Mechanical Engineering Department is as follows :

C.M.E.	1
Dy. C.M.E.	3
Sr. Scale	7
Jr. Scale	3

The post of Senior Mechanical Engineer (Fuel) should be upgraded to that of a Deputy Chief Mechanical Engineer. Senior Mechanical Engineer (Diesels) and Senior Mechanical Engineer (General) might be posted to the Divisions as Fuel Officers, one to look after the broad gauge and another for the metre gauge section. Necessary posts of junior scale officers should be created for the diesel oil depots.

(d) Stores : It is presumed that the two temporary senior scale posts for which sanction was given up to March 31, 1968 have been surrendered.

#### Southern Central Railway

(a) General : The temporary post of Deputy General Manager (General) should be surrendered.

(b) Civil Engineering : There is a substantial difference in the Civil Engineering work on this railway compared with the Southern, Central and Eastern Railways, where four Deputy Chief Engineers have been provided. Bearing this in mind, we consider that the work should be divided among three Deputy Chief Engineers and one post should be surrendered. The combined strength of permanent and temporary senior scale posts also seems excessive and the position should be reviewed. The total number of senior scale and junior scale posts are thirteen and fourteen respectively, out of which five senior scale and six junior scale are work charged.

(c) Commercial : Two posts of Deputy Chief Commercial Superintendents and one of Marketing Superintendent have been shown in the statement. Considering its size and nature of work, the Deputy Chief Commercial Superintendent (Rates and Development) should be able to look after marketing work also.

(d) Operating : Here again almost the same pattern of strength of officers has been provided as on bigger railways for which there is no justification. The post of Senior Transportation Officer (Planning) should be abolished. Deputy Chief Operating Superintendent (Goods) should, in addition to this duties, look after Planning. Like wise, we think that the Transportation Superintendent (Safety) and Deputy Chief Operating Superintendent (Coaching) may be merged, as has been done in the Railway Board.

On this Railway, since it is a smaller unit, the Deputy Chief Mechanical Engineer (Loco and Running) should be able to look after fuel problems at the headquarters. The Senior Mechanical Engineer (Fuel) and Senior Mechanical Engineer (P & P) Headquarters should be posted to the Divisions to look after fuel consumption work on the Divisions. One of them may be posted at Vijawada to look after the remaining area. The General Manager should provide Assistant Officers from the strength at the headquarters to man the diesel oil depots as suggested in other cases.

(e) Finance and Accounts : Three posts of Deputy Chiefs are excessive for this Railway, only two should do, one to look after the Finance and the other to look after the Traffic Accounts and General Branch. Three Assistant Officers for Traffic Accounts also seem excessive. Southern Railway has shown only one. The strength should, therefore, be reviewed.

(f) Divisional Jurisdiction : The Secunderabad

Division is much too big. A Deputy Divisional Superintendent has already been posted, but we do not consider it a satisfactory arrangement unless there is a clear-cut division of responsibilities, which alone can give the necessary relief. It should be divided into two but the headquarters of both should remain at Secunderabad, which is conveniently located. As indicated above, we find that the Zonal headquarters has excessive staff while this important Operating Centre has not been given the required relief. The bifurcation should be on the basis of broad gauge section being placed under a Senior Grade Divisional Superintendent and the metre gauge section under a Junior Grade Divisional Superintendent. In the present division, there are already two Senior Scale Operating Officers. An additional Senior Scale Commercial Officer and a Senior Scale Personnel Officer will be needed for the new division. Signalling, Electrical and Accounts work may remain combined, but the officers concerned will be responsible to the respective Divisional Superintendents. Clerical staff need not be increased but should be readjusted. Despatch section, etc., should remain common.

#### North Eastern and Northeast Frontier Railways

(a) **General :** These Railways have been working on the District pattern, which was retained for various considerations other than operational, we strongly advocate the institution of a regular divisional system of working on these railways as amplified later on in paras 19 to 22. The cost of establishing the offices should be faced but we consider that it should be possible to work within the present strength of office staff in the districts. In fact, there may be same saving. At present, all the Co-ordination work is done at the headquarters which are over-staffed. While these Railways have been consistently losing and are smaller than the other zonal railways, the pattern of organisation is almost comparable with the major Railways. It is suggested that the headquarters' strength should be reviewed in full regard to the adjustment in work which should arise with divisionalisation.

(b) **Transportation and Commercial Departments :** The North Eastern Railway has five junior administrative posts, one of which is temporary, seven senior scale and nineteen junior scale posts in the Transportation and Commercial Departments.

The Northeast Frontier Railway has six junior administrative posts out of which four are temporary, five senior scale and fifteen junior scale posts :

In our view the pattern of these Railways should be : as below :

The N.F. Railway might have only seven junior scale posts under Commercial.

(c) **Medical :** In our view, the post of a Chief Medical

	North Eastern	North-East Frontier
<b>Operating</b>		
C.O.P.S	1	1
Dy. CO P.S	1	1
Safety Officer (Sr. Scale)	1	1
Sr. Scale (Goods)	1	1
Sr. Scale (Coaching)	1	1
Jr. Scale	2	2
<b>Commercial</b>		
C.C.S.	1	1
Dy. C.C.S (Goods)	1	1 (Dy. C.C.S. Genl.)
Dy. C.C.S (Marketing and Sales)	1	Nil
Sr. Scales (Marketing and Sales)	Nil	1
Sr. Scale (Claims)	1	1
Sr. Scale (Refunds and General)	1	1
Jr. Scale	9	7

Officer on these Railways purely for supervisory work seems unwarranted. It is suggested that they should also devote part of their time on specific medical work.

(d) The reductions suggested for consideration in other departments consequent on Divisionalisation are tabulated in Annexure III/6.

In dealing with the details of the set up of these two Railways, we would also like to bring to the notice of the Railway Board that redistribution of the jurisdiction of these two Railway appears to be necessary. There are two alternatives which have to be considered and carefully examined in the light of the operational needs :

(i) The section between Katihar and Barauni may be transferred to the Northeast Frontier Railway. The transshipment work at Garharra near Barauni, will however, remain under the North Eastern Railway ;

(ii) Katihar inclusive or Jogbani, and branches may be transferred to the North Eastern Railway, we have no special preference for either of these rearrangements although in the ultimate, analysis alternative (ii) may be more suitable.

The full divisional scheme operates in all the Zonal Railways except the North Eastern and the Northeast Frontier Railways, in which are still working on the district pattern.

In the district system, the officers of the various departments control their respective districts and in some cases the jurisdictions of the various district officers are not even coterminous. All co-ordination between the various district officers has to be done at the headquarters level, which leads to correspondence and delay.

On the other hand, in the regular divisional scheme, all the officers are stationed at the divisional headquarters except for the assistant engineers incharge of



sub-divisions, and for an occasional transportation officer posted in-charge of a control office, if located outside the headquarters, or for an Area Officer-in-Charge being posted at an important commercial centre. Co-ordination of all the activities within the Division is effectively done under the Divisional Superintendent, who is an experienced and a specially selected officer.

In view of the big advantage to be gained, more specially due to their strategic locations and the sudden burden that may fall upon them in emergencies which may arise without warning or notice, we strongly advocate that the district pattern on the North Eastern and Northeast Frontier Railways should be changed to the full divisional pattern as early as practicable. In

determining the number of divisions and the divisional headquarters, due regard should be paid to the expected growth of traffic on these two railways and the heavy workload that may develop on some of the sections in emergencies. Frequent changes in jurisdictions or bifurcation of divisions should be avoided by careful forethought.

In para 2, we have given an indication of the necessity for the redistribution of the jurisdictions of the North Eastern and Northeast Frontier Railways. Obviously the details of the proposals for introducing the divisionalisation on these two zones should be worked out after a decision has been taken in this matter.

## THE SEED REVIEW TEAM REPORT, 1967—REPORT

Delhi, Manager of Publications 1968. 234p.

Vol. I & II (Bounded in one)

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Members : Dr. R.L. Paliwal; Dr. H.R. Arakeri;  
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Shri C.G. Ramanathan.  
Secretary : Shri J. Veeraraghavan.

### APPOINTMENT

The Seed Review Team, was constituted under The Government of India, Ministry of Food and Agriculture and Community Development, Department of Agriculture, vide their Resolution No. 20/11/67-Seeds (Dev.), dated October 10, 1967.

### TERMS OF REFERENCE

The terms of reference of the Review Team were as follows :

1. To assess the existing arrangements for production of breeder, nucleus, foundation and certified seeds of varieties, hybrids, composites, etc.

2. To evaluate the progress made in Scientific progressing, packing and storage of seeds and the indigenous manufacture of processing and storage equipment for achieving self-sufficiency;

3. To consider steps required for effective quality control of seeds and specific arrangements for seeds certification and enforcement of Seed Law;

4. To review the development of marketing of seeds at all stages;

5. To assess the credit facilities required for seed production, seed processing and seed marketing;

6. To identify the role of various agencies of the Union and State Governments, Cooperatives and Private agencies in Seed production, processing and distribution;

7. To consider the steps to be taken for making available superior varieties to the farmers immediately after their approval and release;

8. To consider and recommend steps so that the seed production takes place in all the States and there is no lopsided development of the industry;

9. To recommend measures necessary for the rapid development of healthy seed industry.

### CONTENTS

Volume I : Introductory; Seed and Its Importance; Seed Industry in the Countries Visited; Seed Industry in India—Present and Future; Summary of Conclusions and Recommendations; Volume II : Registration and Release of Varieties; Arrangements for Seed Production; Seed Processing; Seed Storage; Marketing and Distribution; Seeds Act and Quality Control; Training; Role of Various Agencies; Provision of Finance and Credit;

(Seed Industry in the Countries Visited)—The Netherlands; Sweden; The United Kingdom; The U.S.A.; Japan; The Philippines; International Organizations; Appendices.

## RECOMMENDATIONS

The fear of exploitation as well as of risk to food production from new varieties that are not officially released are rather exaggerated.

The team is not in favour of a system of compulsory official screening of varieties before they are marketed.

The farmer should have the right to know the correct name of the variety which he is purchasing.

It should be made compulsory by law, either by amendment of the Seeds Act, 1966, or by other means, that no variety may be marketed unless it is registered by an official agency.

The registration should be done by a Committee constituted by the Government of India. This Committee should include Scientists.

A Variety Evaluation Committee should be set up in the Agricultural University or other premier research organization in the State. Research data on experimental plots for two years should be considered by this Committee. If it is satisfied, in the third year testing may be organized on farmers' fields along with tests in experimental stations. The testing in farmers' fields would be taken up through the extension agencies. At the end of the third year, the variety may be placed before the Variety Release Committee based on three years results including the results from farmers' fields. Where a variety is outstanding, the period of testing could and ought to be cut down.

Ordinarily after three years' testing it should be possible to either release a variety or discard the same.

All the States be represented in the Central Variety Release Committee.

Pre-release publicity should be strictly avoided.

The privately-bred varieties should be released by official release Committees on the basis of the data furnished by the research organisation supplemented by a year of testing in Government research stations and on farmer's field.

Responsibility for production of breeder seed should be clearly assigned to specific institutions.

Standard procedures for the breeder seed production should be laid down for each crop.

Requisite facilities in terms of personnel, processing equipment and storage should be provided at the selected research stations.

An effective internal check on quality of breeder seed should be provided at all stations producing breeder seed.

In future foundation seed should be produced on large-sized farms. The existing small farms may be continued for seed production of varieties of local importance but such of the farms which are not conveniently located and cannot be developed to serve a useful purpose even by providing additional facilities may be closed down.

The foundation seed should normally be produced in farms owned by Government or quasi-Government institutions. Foundation Seed farms should be well-developed with land levelling, irrigation and drainage facilities and should be supervised by qualified technical staff. Adequate seed processing and storage facilities should also be provided. The storage for foundation seed should have controlled temperature and humidity.

All research agencies and foundation seed agencies should adopt allocation policies prescribed by Variety Release Committees on the lines indicated above. Further, such policies should be made known to all prospective seed producers.

The entire policy in the matter should be reviewed to enable free inter-State movement of seeds so that the best are as ultimately come to specialize in seed production.

Initially farmers should be selected for seed production on the basis of varieties available with them. But in the early stages, seed production with new farmers should be taken up only on a limited scale. As a farmer demonstrates his interest in seed production and his ability for high quality seed production he should be consistently kept in the programme and allowed to become a specialized producer of seeds.

The Indian Council of Agricultural Research should take up a coordinated scheme to determine the isolation requirements appropriate for various crops including vegetable crops in the different potential regions in the country.

Wherever difficulty in seed production is anticipated, seed production studies should form part of other coordinated research schemes.

The possibility of using electricity as a source of heat should also be explored though it was felt that this would be a costly proposition at present.

Grading of seeds should be introduced in India.

Experiments must be commenced on the use of different seed treatment materials and different types of machines under our conditions.

Import may be allowed for specified parts to meet the requirements of particular programmes for manufacture of quality equipment required for seed processing.

A central agency should place advance orders on selected firms of manufacture of different kinds of seed processing equipment. The National Seeds Corporation

would be the most appropriate agency for locating the Engineering and Design Organisation. The Corporation could also function as the Central Purchase Agency.

It would be useful to send engineers from corresponding firms in India for short study tours so that they may familiarise themselves with five points of manufacture.

There would also be need for imports of new types and models of equipments from abroad in order to provide a base for continuous improvement in processing techniques.

Special emphasis should be laid on the development of farmers' associations in the field of seed production and distribution.

To reach the high goals set for the future, a massive expansion of seed producing and distributing units is called for. Government should, therefore, through a policy declaration earmarking a major role, encourage the development of cooperative and private seed processing, marketing and distribution organizations. As these organizations develop, the departmental agencies now engaged in the production, purchase and sale of seeds should reduce their activities in this direction.

The departmental agencies should provide the general planning of the various programmes including fixation of targets and concentrate on extension functions.

Purchase prices to growers and sale prices to farmers should be left ordinarily to be regulated by market forces. Cooperatives and Government Undertakings as well as Departments distributing Seeds should so fix their prices as to cover all their costs, overheads, the risks and write-off and provide a reasonable rate of return to the Exchequer. This is possible as by using high-quality seed, the farmer is able to get adequate returns. No subsidies or guarantees should be necessary in these circumstances.

The promotion of medium-sized seed growers, production and marketing co-operatives should be actively encouraged in the initial stages through liberal financial assistance by the National Cooperative Development Corporation to cover adequately the investment and working capital requirements for setting up seed production and processing units.

It is gratifying to note that the budget for 1968-69 provides tax concessions on expenditure incurred by firms using agricultural produce as raw materials in assisting farmers to grow better Crops. Suitable tax concessions should also be provided to seed organizations on the expenditure incurred by them in sales promotion of seeds by provision of technical services. Such concessions should be available for an initial period of five years as this would encourage seed companies to undertake promotional work in rural areas.

The first requisite for a certification agency is that it should be independent from the agency producing or selling the seed on the one hand and from the agency enforcing the Seed Act on the other. Many possible agencies were suggested for this purpose. The State and Central Departments of Agriculture, National/State/Seed Corporations, Agricultural Universities, Associations of Seed Growers, Agricultural Research Institutes or Combination of these—agencies were suggested. In the opinion of the Team any independent Board representing the various agencies listed above would be the most appropriate agency for undertaking seed certification.

The Fertilizer Credit Committee headed by Shri Venkatappiah had recommended the formation of a Fertilizer Credit Guarantee Corporation. It is recommended that as seeds are vital agricultural inputs, they should also be covered by this Scheme along with fertilizers and insecticides.

The Reserve Bank should make it clear to all commercial banks that all seeds—raw or processed, certified or un-certified, whether produced in contract with State Governments or not, should be treated as agricultural inputs and not as grain for purposes of advance. It is also recommended that steps should be taken to guarantee advances made to seed producers and this should be included within the scope of the activities of the proposed Fertilizer Credit Guarantee Corporation to which a reference has already been made.

The financial institutions should provide advance for construction or warehouses for seed industry and such advances should be treated as advances to seed industry so that all benefits available to "priority industries" can be claimed.

The present procedure which allows freedom to market varieties without compulsory official screening by continued. The extension agencies of the State Departments of Agriculture as well as of agricultural universities must conduct trials on all new varieties whether officially released or not and adequately publicise the results of such trials.

The farmer has the right to know the correct name of the variety of the seed which he is buying. The Seeds Act, 1966, provides that when a kind or variety may be notified by the Central Government in the official gazette that kind or variety may be sold only in containers which are properly labelled. The Governments would in such cases also notify the particulars which such label may contain. The labels should be required to contain a declaration of the variety though for certain kinds of seeds it may be sufficient to declare "variety not specified."

A Committee which should include scientists constituted by the Government of India would be the most

appropriate authority for registering varieties, after ascertaining that they are distinct and homogeneous.

The various State Governments etc., may examine the constitution and procedure for testing and release of varieties in their respective States and consider suitable modifications in the light of the procedure outlined above though in respect of period of testing a flexible approach may be adopted.

The State Variety Release Committee procedures, trials may be organized in farmers' fields through extension agencies.

Testing for longer periods would apart from delaying the utilisation of research, also leads to wastage of scientific effort and recommends that there should be no hesitation in deciding to release or discard a variety after three years of testing.

The official release of a variety which means also any publicity relating to the variety should be deferred until reasonable stocks of at least—foundation seeds have been built up.

No variety should be sold unless it is registered by Central Variety Registration Committee at the national level. The registration will be based on genetic distinctness and uniformity and prior approval of the State or Central Variety Release Committee will not be necessary for sale of varieties so long as they are registered.

Various taken up in official programmes or given public support should ordinarily be those approved by the Variety Release Committee.

The Departments of Agriculture in different States as well as the Directorates of Extension at the Central level should continue to test and collect data on field performance of all varieties whether officially released or not and give wide publicity to the data so that farmers may have guidance in making their choice of varieties.

The varieties which are evolved under the coordinated schemes and by the Central Institutes may be officially released by the Central Variety Release Committee for all the areas of adaptation and these need not be placed before the State Variety Release Committees except for information. The Central Variety Release Committee should be enlarged to provide representation to all the States.

Pre-release publicity to new varieties should be withheld and a statement of variety release and seed policy should be drawn up and subscribed to by various agencies concerned.

Any person or private body desirous of taking up research work in plant breeding should be required to register himself with the I.C.A.R. which should accept the application only after satisfying itself that the individual or the institution concerned has the requisite professional competence and other facilities for undertaking research. The I.C.A.R. may lay down standards

for eligibility for such registration.

The official release of privately bred-varieties should be based on testing done by the breeder concerned, and in addition on one year of testing at Government research stations and farmers' fields.

High priority should be given to the provision of facilities in terms of land, equipment, storage, personnel and funds for production and supply of breeder seed. The responsibility of making available required quantities of breeder seed should be fixed on specific institutions.

The Indian Council of Agriculture Research should standardize the methods of production and maintenance of breeder seed for each crop. They should also ensure the adoption of standard procedures for multiplication of breeder seed in their institutions.

In future foundation seed should be produced on adequately large-sized farms in places where required facilities could be provided for the convenience of the staff as well as for the production and processing of quality seed. The existing small farms should also be continued and used for the production of seed of varieties of local importance. The farms which are not located at convenient places and cannot be developed to serve useful purpose even by providing additional facilities and by increasing the size may, however, be closed. The State Governments may arrange for the detailed examination of the working of each of the existing farms and the need, if any, for more farms to meet the requirements of the States. It was reported in some States that the existing farms are being continued on year to year basis and the funds provided are not sufficient. After detailed examination as suggested above, the farms should be sanctioned on permanent basis and sufficient funds provided.

The other point which the Team would like to emphasize is the need for advance planning in production of foundation seeds. In such advance planning, there has to be an element of liberal estimating as it would be better to have surplus of foundation seed stocks rather than shortages which would curtail the certified seed programmes and ultimately the entire agricultural production programmes.

A reserve stock of foundation seed should be maintained by the State Governments in respect of all important varieties. These reserve stocks may be kept at convenient centres where good seed storage with control of temperature and humidity should be provided so that the viability of the seed is well-preserved.

The State Governments as well as the National Seeds Corporation should immediately examine the adequacy of production as well as the quality of foundation seed and make requisite arrangements for linking the production of foundation seed with availability of breeder

seed. The modern processing and seed treatment methods should be adopted at an early date in respect of foundation seeds supplied for seed production.

An All-India organization like the National Seeds Corporation could maintain all-India reserve stock of foundation seeds of important all-India varieties on a limited scale. The National Seeds Corporation may take up the production of foundation seeds and make equitable allocations amongst all the States in consultation with the Government of India where the likely demand for foundation seed will be excess of available supplies.

The foundation seed increase should normally be on farms owned by the Corporation, agricultural universities, State Governments and other public agencies. The selected foundation seed farms should be well developed by provision of land-levelling, irrigation and drainage facilities, processing plants and by appointment of highly qualified staff for carrying out foundation seed production.

In respect of vegetable seeds of European type, the crops which are highly cross-pollinated—the Jammu and Kashmir Government have enacted a law under which only those varieties permitted by the Director of Agriculture can be grown in specified areas. This is a very essential step as in respect of these crops, isolation for miles is required and it would not be possible to produce high quality seed without such regulation. Similar legislation be adopted in other States which are suitable for production of seeds of vegetables which are highly cross-pollinated.

The Indian Council of Agricultural Research should sponsor an All-India Coordinated Research Programme in collaboration with the National Seeds Corporation and other Seed organizations to determine the isolation requirements appropriate for crops including vegetable crops of European type in different potential regions in the country.

In future seed production studies should form a part of the Coordinated Research Schemes and wherever any seed production difficulty is anticipated, study should be started at the various research stations as part of the coordinated programme so that when the hybrid is released, the seed production technique is also clearly formulated.

The National Seeds Corporation and other seed production agencies should make an intensive study of practical problems of seed production in different areas and should suggest measures for resolving the same if necessary by arrangement with research institutes for carrying different studies on such problems.

Specialized planting equipment of those kinds not available in the country be allowed to be imported for seed production.

Dessicants be tested under our conditions and be allowed to be imported. If they prove popular the chemical companies be encouraged to manufacture them locally; and combine harvesters be allowed to be imported by seed companies, cooperatives and large farms to assure that the seed harvest can be completed in record time without loss of crop.

There is an urgent need for a strong and well-staffed Engineering and Design Organization which should devote itself exclusively to the study of the problems of processing of different seeds, the types of equipment required, the specifications thereof, the problems of manufacture of such equipment and provision of requisite assistance and advice in this regard. Such an organization would have three distinct functions:

(a) Research and Survey.

(b) Advisory Services and Assistance to Producers.

One of the major limitations in the development of the demand is the doubt in the minds of the buyers in regard to the quality and reliability of the equipment that are locally made. If a central agency, undertook the responsibility of checking and ensuring quality, the demand for equipment may increase rapidly. Further, planning of production and manufacture of equipment can be done better if the orders for various equipment are consolidated and placed well in advance. The National Seeds Corporation which has the objective of development of seed industry in the country, should act as a general agency for placing advance orders on selected firms for the manufacture of different kinds of seed processing equipment and should in turn supply these equipment to the seed industry.

It would be extremely useful if the engineers in-charge of the manufacture of seed processing equipment could be sent on a study tour to such firms in foreign countries. They could also visit institutions like the Mississippi Seed Technology Department where they could be given special training and orientation in the requirements of seed processing equipment.

The consensus of opinion in the country was that the small and medium sized indigenous cleaners are far from satisfactory. Recognizing this, the Government have already allowed to import a number of seed cleaners of different models. It is necessary to continue this policy and we recommend the import of seed cleaners required to meet the processing facilities over the next two years. At the same time, it would be advisable to import the screens of different sizes and specifications and supply them to manufacturers of seed cleaning equipment as the non-availability of good screens has been noted to be a limiting factor in the manufacture of quality equipment. The foreign exchange requirements to cover these imports are not likely to exceed Rs. 50 lakhs.

The team recommends the import of automatic control devices like thermostats and automatic re-ignition devices. The foreign exchange requirements for this purpose are not likely to exceed Rs. 5 lakhs.

Whatever facilities are required, should be provided and adequate number of bag closing machines should be got manufactured within the country. If this is not possible a liberal import policy may be adopted for import of such machines. Foreign exchange required to import bag closers for the seed industry over the next two years will not exceed Rs. 5 lakhs.

The import of specialized type of seed processing equipment like specific gravity separators, aspirators, automatic weighing and bagging machines, cylinder separators, sizing equipment and special types of driers should be allowed as experimental measure and the use of such machines should be encouraged. Foreign exchange requirements will not exceed Rs. 30 lakhs.

The facilities should be developed for drying of seeds, if necessary upto 5 per cent and their proper canning. This system should be adopted especially for foundation seeds and vegetables.

The Government should take appropriate measures for the development of seed enterprises working on commercial principles in competition to ensure the supply of high-quality seeds to the farmers at reasonable prices.

Each State employs a limited number of inspectors who are well-qualified, mature and who can be relied upon and inspect various seed lots, educate the seedsmen and generally enforce the Act without hampering the trade in seeds.

Each State must examine the position and ensure accuracy of testing as this would be an important legal responsibility.

The records to be maintained by seedsmen as well as seed processors should be drawn up in detail and all seedsmen informed of the necessity of keeping such records.

It may further be pointed out that the rules which are being framed under the Act as well as the law itself should be revised with reference to actual conditions over the course of next two or three years and if any amendment becomes necessary of the Seeds Act, there should be no hesitation to amend the Act and or Rules.

The results from seed testing laboratories be carefully examined after samples have been drawn for a year or two under the Act to determine the minimum limits that are practical under Indian conditions.

The first requisite for appropriate certification agency is that it should be independent from the agency producing or selling the seed on the one hand and from the agency enforcing the Seeds Act on the other.

The certification agency in our opinion should be set up as Boards constituted in different States. These Boards should be representative of seed growers, farmers, scientists, agricultural universities and the Department of Agriculture.

The Seed Certification Boards be formed in every State. The Board should work in close liaison with the Central Seed Corporation Committee, which should be a Sub-Committee, of the Central Seeds Committee envisaged under the Indian Seeds Act. The Central Seed Committee will lay down the basic standards, procedures, policies and guidelines but will have no formal authority over the Seed Corporation Agencies. The Central Seed Committee should in this connection adopt the same approach as the O.E.C.D. adopts in respect of the different countries in the world.

The Central Seed Committee would be the most appropriate agency in respect of O.E.C.D. Certification.

The Team recommends the adoption of the system of approved processing plants. The seed certification agency should lay down standards for processing plants and give approval to those plants which comply with the standards. Seed which are not processed at these plants should not be certified.

The standards should be reviewed once a year and changes made in order to make them realistic. It is recommended that once the standards are set for a particular year, they should not be varied arbitrarily though very exceptional circumstances might justify a departure from this principle. The drawing of samples for laboratory testing and the bulk inspection to ensure uniformity of the lot are vital steps in seed certification.

The certification should apply only to those varieties which are finally recognised as equal or superior to existing varieties. In other words, only those varieties which are finally released by the State Variety Release Committee or the Central Variety Release Committee should be taken up for certification.

Suitable plots should be taken and placed under the control of the seed certification agencies, where they can grow samples from different lots of foundation seeds and certified seeds against standard samples maintained by them in order to check the effectiveness of field inspection and to evaluate the quality of the seed being produced both in the foundation and certified seed classes.

The certification trade mark should be registered under the Trade Mark Act so that if any malpractices are discovered, suitable legal proceedings could be instituted. Further, certification agency must keep a close control on the stocks of tags lying with them. The tags should be normally machine numbered and handled in

the same manner as cash receipt books.

Immediate steps be taken to assure that the seed testing programme does keep pace and properly supports the seed industry and the seed improvement programme.

To help eliminate the variability that does exist, the main additional facilities needed in most laboratories are cooling systems to be used with the existing germinators and walk-in room germinators which are temperature controlled at the prescribed temperatures.

Training programmes must be continued to assure that all workers in the laboratory have been trained.

Methods of germination for new species need to be investigated at the different seed laboratories in coordination with the Central Seed Testing Laboratory.

Testing procedures, reports, registers and working cards should be standardized throughout the country.

More adequate space to assure safe storage of seed for at least twelve months, is needed in most of the laboratories.

The Central Seed Testing Laboratory be encouraged and staffed, so that it can provide adequate coordination and leadership to the laboratories throughout the country.

Only one official seed testing laboratory be developed per state, fully equipped and staffed with well-trained personnel.

If a good worker in a laboratory gets a turn for promotion in his present cadre, he be given the benefit by upgrading his post, so that his training and experience are available to the laboratory and the seed programme.

Very close daily contacts will be needed between the Seed Testing Officer, the Seed Certification Officer and Chief Seed Inspector under the Seeds Act and they should be so located that this is made possible.

Minimum seed certification standards and limits should be realistic and relate to present seed quality.

The results obtained in seed testing should be statistically analysed and tabulated by every State each year and sent to the Central Seed Testing Officer for compilation and should be made available to the Central Seed Committee.

Seed Surveys based on seed used by farmers should be undertaken to verify the practical level of minimum seed germination limits and for educational purposes.

The statistical accuracy of the amount tested must

be considered when fixing standards for purity components.

A more direct and clear cut line of communication be developed between the Director of Agriculture and the Laboratory.

The Centre should assume responsibility for training in those areas where uniform procedures and techniques are needed throughout the country and where a relatively small number of a highly trained and competent persons are needed.

The Seed Inspectors be trained for seed Law enforcement work with no other secondary responsibilities.

The agricultural universities can assume a leading role also in the training of persons in seed improvement by :

(a) Inclusion of material on seed production and Seed Technology in existing Agronomy and Botany courses ;

(b) Organizing, in cooperation with others, seed production and processing courses of short duration for persons needing training at the State level as referred to earlier ; and

(c) Offering degree courses in various aspects of seed Technology.

A systematic plan for training in other countries be developed so that the best qualified and most interested persons in seed testing, seed production, seed processing and seed marketing be given an opportunity for this training.

The India Crop Improvement, and Certified Seed Producers' Association and the All India Seed Growers, Merchants and Nurserymen's Association develop a programme in cooperation with the Government for a systematic training of their associates' leaders who would be in a position to share their experiences and knowledge with members of the respective associations.

The Reserve Bank should make it clear to Commercial Banks that all seed, raw or processed, certified or non-certified, whether produced on contract with State Governments or National Seeds Corporation or not, should be treated as agricultural input and not as grain for purposes of advance. Steps be taken to guarantee advances made to seed producers and that this be included in the scope of activities of the Fertilizer Credit Guarantee Corporation proposed by the Venkatappiah Committee.

# NATIONAL COMMISSION ON LABOUR, STUDY GROUP FOR NEWSPAPER INDUSTRY, 1967—REPORT

Delhi, Manager of Publications, 1968. 36p.

Chairman : Mr. M. Chalapathi Rau.  
Members : Mr. P.L. Sondhi; Mr. J.M. D'Souza;  
Mr. C.N. Chittaranjan; Mr. A.R. Bhat;  
Mr. J.P. Chaturvedi; Mr. T.V.R. Shenoi;  
Mr. R. Shamanna.  
Secretary : Mr. V.R. Kulkarni.

## APPOINTMENT

The Study Group for Newspaper Industry was constituted under the National Commission on Labour vide their Notification No. 3/41/67/NCL dated October 24, 1967.

## TERMS OF REFERENCE

To analyse available information, and project its thinking on labour problems in the industry for years to come taking into account the possible developments in the economy.

## CONTENTS

Introduction; Background; Employment, Recruitment and Training; Labour Laws; Associations of Employers and Employees; Settlement of Disputes; Wage Fixation and Its Implications; Recommendations; A Note of Explanation/Dissent by Shri A.R. Bhat.

## RECOMMENDATIONS

Industrial relations in the newspaper industry one far from satisfactory. Unionisation is generally poor, but even where there are strong unions, there is a communication gap between them and the managements. The primary need is to establish useful contacts between the two. Virtually no union of newspaper employees has been recognised by the employers. Even the all-India organisations of employers and employees do not have cordial relations. The following steps may help to improve the atmosphere and make bilateral settlement of disputes easier in the long run and ensure harmonious relations :

(a) The all-India organisations of both working journalists and non-journalist employees must be given recognition, as also the associated organisations or unions at State and Plant levels. This can only flow from an agreement between the national organisations representing the two sides.

(b) The same procedures as are contemplated for recognition of unions in other industries may be adopted in the newspaper industry also.

(c) Permanent tripartite machinery for settlement of disputes in the industry may be set up at both National and State levels. This will make acceptance of the value of bilateral negotiation and settlement easier and speedier.

(d) By agreement between employer's and employees' organisations, plant level machinery comprising representatives of the respective unions and managements can be set up.

The multiplicity of legal enactments covering newspaper establishments has led to differences in treatment of the different sections of employees which are not always just or justifiable. It is desirable to have a single piece of legislation covering all sections of newspaper employees—working journalists, press workers, and administrative staff. In such legislation, the necessary special provisions may be incorporated in respect of categories like working journalists as in the present Working Journalists Act, relating to hours of work, notice, pay and certain essential facilities. Uniformity in respect of leave facilities, medical facilities, standing orders, etc., is desirable. Uniformity in hours of work may be difficult in enforcement in the short run in view of implications in monetary terms, but this should be the goal and first steps should be initiated in the suggested legislation to reduce the prevailing wide differences in this regard. The ultimate goal should be a six-hour day for all categories of newspaper employees.

Provision should be made in the proposed law for payment of gratuity to non-journalists on the same basis, as for working journalists.

Suitable machinery should be set up at National and State levels to go into complaints regarding categorisation from both employers and employees so that uniformity can be arrived at to satisfaction of both sides on a scientific basis.

In future it would be advisable to set up a single statutory authority for wage fixation in the whole country. Appropriate provision should be made in the proposed law on the same lines as in the present Working Journalists Act.



It is necessary to set up a compact and swift moving enforcement machinery in all States which will compel implementations not only of wage awards but also of agreements and awards given by industrial tribunals and labour courts.

The machinery for settlement of industrial disputes needs to be streamlined and made efficient and effective. The status and powers of conciliation officers should be raised, and a time limit not exceeding six weeks should be fixed for conciliation proceedings to be completed and the report submitted, with copies to both sides. The time-lag between the conclusion of conciliation proceedings and reference of the dispute for adjudication should not exceed four weeks. And adjudication proceedings should not take longer than three months at the most. If for any reason these proceedings cannot be taken out of the purview of the High Courts and the Supreme Court for the time being, provision should be made to ensure final disposal of every dispute within a year of its commencement.

As the role of the conciliation officer is essentially

one of using third party's good offices to bring about a bilateral settlement, the tendency to bring professional lawyers into the picture and raise legalistic and technical arguments should be severely discouraged through statute.

There should be a specific provision in the law that any strike decision by unions over specific demands should be preceded by a strike ballot among the general body of workmen concerned.

In the suggested single legislation for the newspaper industry, either the works committee's scope should be enlarged to make it a bipartite negotiating machinery between the workers' union and the management dealing with specific types of problems or it should be dropped.

The pattern of ownership and control of newspapers is an important aspect that needs attention. In view of complaints about the growth of concentration of ownership and about control of major newspapers by other industries, there is need to introduce forms of ownership.

## THE COMMITTEE ON RURAL HIGHER EDUCATION, 1967—REPORT

New Delhi, Ministry of Education and Youth Services, 1970. 126p.

Chairman : Shri G. Ramachandran.

Members : Shri D.P. Singh; Shri T.S. Avinashilingam; Shri K. Kelappan; Shri K.L. Bordia.

Member-Secretary : Dr. P.D. Shukla.

### APPOINTMENT

The National Council for Rural Higher Education set up the Committee on Rural Higher Education in November, 1967.

### TERMS OF REFERENCE

The terms of reference were as follows :

(i) To review the progress of the Scheme of Rural Higher Education; and

(ii) To suggest ways at means for improving its working, so that the objectives for which it was started may be achieved.

### CONTENTS

Part I—Chairman's Address to the National Council for Rural Higher Education; Part II—Report of the Committee on Rural Higher Education; Letter of Transmittal; Preface; Introduction; A Review of the Present Position; An Analysis of the Replies to the Questionnaires; Recommendations; Summary of Recommendations; Minutes of Dissent; Appendices from I to VI; Part III—Recommendations of the National Council for Rural Higher Education.

### RECOMMENDATIONS

#### Broad Aims And Functions

(i) To provide courses in higher education specially suited to rural needs; and short courses of varying duration in certain fields of special relevance to the rural population.

(ii) To undertake problem-oriented research in the fields in which the rural institutes provide courses of study.

(iii) To serve the Rural Community through extension education by the application of scientific knowledge and techniques to the rural problems.

In accordance with the above the functions of the Rural Institutes may be stated as follows :

(i) To provide under-graduate and/or post-graduate courses leading to degree/diplomas in Humanities, Social Sciences, Natural Sciences, Technology, Agriculture, Health and Sanitation and other fields of knowledge.

(ii) To organise vocational courses of varying duration for training rural youth in Agriculture, Agro-industries and crafts.

(iii) To train village youth in civic responsibility, Panchayati Raj, Family Planning, healthy living and other relevant fields.

(iv) To provide facilities for conducting research in rural problems relevant to the courses organised by particular Institutes.

(v) To provide extension services in agriculture, animal husbandry, dairying, poultry farming, health and sanitation, school improvement, adult education, family planning, etc.

(vi) To organise activities in the areas of youth welfare, women's programmes, etc., which are relevant to the aims and objectives of the Rural Institutes, in order to serve the neighbouring Community.

#### Administrative Structure

(i) In view of the regional languages getting importance, groups of institutions in a particular State will have a separate complexion and hence a suitable machinery may be set up to bring the Rural Institutes in closer contact with the State Governments concerned.

(ii) It would be desirable to have on the National Council one or two nominees as representatives of Agricultural Universities in India.

(iii) The National Council should be reconstituted and recognised to function more efficiently and effectively to strengthen and improve the rural institutes in every way and also establish close liaison among them to facilitate the work of taking higher education to the doors of the rural people.

The officer in charge of the work of the National Council (who should be of the Status of a Joint Secretary or at least that of a Deputy Secretary) should normally be assigned this work for a minimum period of five years.

#### Enrolment

(i) A Rural Institutes should have on its roll a mini-

mum of 200 students.

(ii) The minimum enrolment will be counted as on 31st August.

(iii) The minimum enrolment in preparatory course should be twenty.

(iv) In the DRS course a minimum of twelve students per subject should be strictly adhered to and no course should be started or continued when the enrolment in the course is less than ten.

(v) In sanctioning new groups in DRS course, in future special care should be taken to ensure that normally not more than 5 groups exist.

(vi) The minimum enrolment in the Diploma in Rural Services (Education) course should be twenty.

(vii) In the cases of Post-Diploma Courses, the enrolment in the beginning of the academic session should not be less than five. The course should be stopped if the enrolment falls short of five.

(viii) The minimum enrolment for the Agricultural certificate course should be twenty.

(ix) The minimum enrolment in the Diploma in Civil and Rural Engineering Course should be twelve and the maximum thirty.

(x) The minimum enrolment in Sanitary Inspectors Course should be twenty.

(xi) The minimum enrolment for Advancement Course for Sanitary Inspectors should be ten.

#### Teaching Of English And Regional Languages

The present practice (the three language formula) with respect of teaching of languages in the rural institutes should continue and special issue(s) raised by a rural institute should be considered on merits by the National Council for Rural Higher Education.

#### Courses Of Study, Curriculum, etc.

(i) The minimum number of courses offered by a rural institute should be three out of :

1. D.R.S.; 2. D.R.S. (Education); 3. Diploma in Civil and Rural Engineering; 4. Post Diploma Course; 5. Agricultural Certificate Course; 6. Sanitary Inspectors Course; 7. Advanced Course for Sanitary Inspectors.

(ii) The Preparatory Course should be suitably modified in the context of the courses of study for the Diploma Course in Rural Services.

(iii) Introduction of new courses by the Rural Institutes should be taken up after a full assessment of the need and the demand for such course(s) and provided the required facilities are available.

(iv) In an Institute of rural higher education a degree course in Agriculture is highly desirable, but a full fledged degree course in Agriculture should not be instituted without providing the necessary equipment and other facilities to the institution.

(v) The Agriculture Course should train the rural youth for (a) self-employment and (b) for specialisation at intermediate level. Instead of lengthening the present duration of the course, it is necessary to enrich the content of the syllabus making it less academic and more practically-oriented.

(vi) The academic standards in the Rural Institutes should be high and while aiming at academic excellence, rural higher education should attempt to integrate theory with practice and underline work experience.

(vii) It is necessary to visualise clearly the future employment potential for trained agricultural personnel.

(viii) While there should be no ban on students passing out of rural institutes with respect to further education or employment, the courses in the rural institutes should be primarily considered and designed so as to prepare students for appropriate employment in the rural areas.

(ix) In view of the importance of Science, the Committee is in favour of the rural institutes starting the teaching of science subjects. The Committee agrees with the recommendation of the National Council for Rural Higher Education that a course in science based either on the Delhi or the Madras University pattern be adopted to facilitate recognition of the Diploma in Science by the Universities and employing agencies. However, such a science course should be introduced only in rural institutes which have already been put on a sound basis.

Admission to science courses should be limited to those who have passed either science at the Matriculation or equivalent level.

(x) The question regarding the duration of the DRS (Education) course should be examined by the relevant Faculty Committee if not, for the present in favour of introducing a Post-Graduate Course in Education.

#### Extension And Research

(i) The extension work should mainly relate to the application of scientific knowledge and techniques to the rural problems. The activities may also include youth clubs, adult schools, women's programmes, etc., with a view to educating the rural community to adopt latest techniques, and scientific ideas in the field.

(ii) Extension work in the rural institutes should be educational in content. Deficiencies in physical facilities (which may be due to a variety of reasons) should no longer be allowed to continue.

(iii) The teaching in the Rural Institutes should be closely related to research and extension facilitating an integrated approach to rural problems.

(iv) The Research projects should be mainly restricted to the areas in which there are higher courses should and

be problem-oriented. It is also equally important that the results of research should be quickly made available to all the other Rural Institutes to facilitate cross fertilisation of ideas and further work in the field.

(v) The extension departments of the rural institutes should be close liaison with similar departments of the university in the area and jointly undertake some project utilising the special resources of the university.

(vi) As and when the rural institutes develop their departments, more facilities, including finance should be provided for extension and research work.

#### Teachers : Salary Scales And Facilities

(i) Priority in the allocation of funds under the scheme of Rural Higher Education should, in the next few years, be on the improvement of the salaries of the teachers in the rural institutes.

(ii) The Government should accept parity between salary scales and dearness allowance of the teachers of the Rural Institutes with corresponding employees (with corresponding qualifications) of the affiliated colleges of the same State.

(iii) The following minimum scales, which are the 4th Plan scales recommended by the UGC should be made immediately applicable to the staff of the post-graduate and DRS Courses of the rural institutes, provided the posts have been duly approved.

Director	Rs. 800-50-1,250 (in the Rural Institutes having post-graduate courses) Rs. 700-40-1,100 (in other Rural Institutes)
Principal	Rs. 700-40-1,100
Reader of the Post-Graduate Course	Rs. 700-40-1,100 (limited to 25 per cent the approved staff strength)
Senior Lecture	Rs. 400-30-640-40-800 (limited to 25 per cent the approved staff strength)
Lecturer	Rs. 300-25-600
Demonstrator/ Tutor	Rs. 250-15-400

(iv) All employees of the Rural Institutes should be eligible to the Dearness Allowance on the same basis as admissible to the employees of the State Government concerned.

(v) The teaching staff be provided with suitable residential accommodation on the campus.

Library Financial assistance of Rs. 5,000 per Institute should be given as a recurring grant to the rural institutes for strengthening library facilities.

#### Employment Of The Products Of The Rural Institutes

(i) Each rural institute should undertake a survey of

employment possibilities in the region so as to increase the employment potential. The Central Government should also undertake this task at its own level.

(ii) Each rural institute should maintain a reliable and up-to-date record of the employment position of its products.

(iii) In Competitive Departmental examinations subjects like Co-operation, Community Development, Panchayati Raj and Agricultural Economics should be included.

(iv) The State Governments and employing agencies should recognize the special features of the Rural Services course and give preference to candidates so qualified in employment in rural developmental departments and as teachers in rural schools.

(v) The employing agencies, governmental and non-governmental should also be fully involved in ascertaining the suitability of the syllabus and modifying it and training techniques, wherever necessary, in the areas of Cooperation, Public Administration, Village and Small Scale Industries, etc.

(vi) The course in Agriculture should prepare students to settle down as progressive farmers.

(vii) New courses should also be introduced or new optionals should be allowed in the rural institutes only after taking into consideration the possible employment potential for the products of the Rural Institutes who would be completing the particular course.

(viii) In order to make the Post-Diploma holders eligible for teaching jobs in colleges in the disciplines related to their courses, the Inter University Board and/or individual universities should be approached for securing the necessary equivalence.

(ix) Necessary guidance and advice (and facilities such as allotment of land, grant of loans by Cooperative Banks) should be given to holders of DCRE and DRS and those specialising in cooperation and Village Industries and assist them to organise themselves into societies, so that they could take up public works department assignments which are now given to the contractors.

(x) The question of establishing any more production-cum-training Centres at the Rural Institutes should be deferred for the present and the existing centres be strengthened on the lines indicated in the Report of the Committee appointed by the Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development).

#### Future Status Of The Rural Institutes

The Rural Institutes could be either—

(i) Affiliated to a Federal University of Rural Higher Education which may be set up by the Government of

India, or

(ii) Affiliated to the Jawaharlal Nehru University, or

(iii) Continue to be under the National Council for Rural Higher Education with certain imperative modifications or

(iv) Allowed to be affiliated to the Universities in which region they are situated, if they apt to do so.

#### Finance

(i) The Government of India should guarantee the present pattern of financial assistance for a stipulated period during which the Rural Institutes should take effective steps to settle their future course. The Government of India should favourably consider any request for the transfer of buildings, equipment and furniture acquired by the Rural Institutes through Central assistance, if these were to be put to any other alternative educational use.

(ii) The State Governments should be actively associated in providing necessary financial assistance to the Rural Institutes.

(iii) The rural institutes should explore possibilities of raising additional resources, encourage private philanthropy and minimise the administrative expenditure.

(iv) The pattern of financial assistance will vary according to the future status of the Rural Institutes.

In the case of affiliation to a Federal University of Rural Higher Education, the present pattern of assistance will have to be continued.

In the case of affiliation to the Jawaharlal Nehru University, the Central Government may consider giving this assistance through the U.G.C. as in the case of colleges affiliated to the Delhi University.

In the case of the Institutes continuing to function under the National Council for Rural Higher Education, the Central Government should provide financial assistance on the existing pattern.

For the Rural Institutes which are affiliated or wish to affiliate to the neighbouring Universities or become a second campus of an Agricultural University, the present pattern of Central assistance should continue for a period of five years from the date of the Rural Institutes linking with such a neighbouring university.

The Central Government may, however, examine in consultation with the State Governments, the desirability of arranging for Central assistance on a tapering basis when alternative assistance has been made available to the Institutes.

#### New Rural Institutes

(i) Only after sufficient financial allocation has been made and the present Rural Institutes have been conso-

judated the question of setting up any new Rural Institutes should be considered.

(ii) In establishing any new Rural Institute, preference should be given to States which do not have any Rural Institute. Such an Institute should be in rural area.

(iii) It should be ensured that a new Rural Institute will attract sufficient enrolment to provide for a minimum number of courses and that there opportunities for employment and work for those who pass out of the Institute.

#### General Recommendations

(i) Encouragement, including suitable financial assistance should be given to the teachers of the Rural Institutes to improve their qualifications and particularly to undertake research.

(ii) Facilities including financial assistance should be provided to staff members to attend all-India conferences in the subject fields e.g., Home Science, Economics, etc.

(iii) Each year at least four Seminars/Refresher

Courses/Workshops should be arranged for the staff of the Rural Institutes and suitable financial provision should be made for this purpose.

(iv) Rural Institutes should be financially assisted to arrange for the conduct of regional and All-India Inter-Rural Institute tournaments.

(v) Rural Institutes should explore the possibility of participating in certain schemes which are launched by the Ministry of Education and Youth Services or jointly by several Ministries of the Government of India or by State Governments in education and allied fields. As examples mentioned may be made of schemes such as Farmer's Education and Functional Literacy, Adult Education, Selected Pilot Projects, Planning Forums and Youth Leadership Training Camp etc., with their background and experience the Rural Institutes will be the most suitable agencies to work in the rural areas.

(vi) One of the Rural Institutes should be authorised and financially assisted to bring out a journal listing the selected research works of all the rural institutes.

## COMMISSION OF INQUIRY ON COMMUNAL DISTURBANCES—MALLGAON, 1967—REPORT

New Delhi, Ministry of Home Affairs, 1971. 127p.

Chairman : Shri Raghubar Dayal.

Members : Col. B.H. Zaidi; Shri M.M. Philip.

#### APPOINTMENT

A number of commercial disturbances occurred at various places in the country between the months of August and October, 1967, and the Central Government decided to appoint a Commission to inquire into these disturbances vide the Notification S.O. No. 3960 dated November 1, 1967 read as follows :

Notification : "S.O. No. 3960—Whereas the Central Government is of opinion that it is necessary to appoint a Commission of Inquiry for the purpose of making an inquiry into a definite matter of public importance, to wit, the communal disturbances that have occurred in the country since the first day of August, 1967"

Now, therefore, in exercise of the powers conferred by Section 3 of the Commissions of Inquiry Act, 1952

(60 of 1952), the Central Government hereby appoints a Commission of Inquiry.

#### TERMS OF REFERENCE

(a) To inquire into the causes and course of the major communal disturbances since the first day of August, 1967, at the places and on or between the dates specified in the schedule to this notification ;

(b) To inquire into the adequacy of the administrative measures taken to prevent and deal with the said disturbances ;

(c) To recommend measures which may be adopted for preventing the recurrence of such disturbances ; and

(d) To consider such other matters relating to communal disturbances as the Commission may think fit.

#### CONTENTS

List of Abbreviations Used in the Report;

Part I—Introductory ; Mode of Inquiry ; Scope of Inquiry; Part II—Theft and Slaughter of the Cow; Action Taken and Events Upto 9-15 A.M.; Events Between 9-15 A.M. and 2-00 P.M.; Situation After 2 P.M. on the September 24, 1967; Persons Injured During the Disturbances and Medical Treatment; Causes; Adequacy of Police Managements and Comments Thereon; Investigation of Cases Registered and Its Result; Rehabilitation; Recommendations; Annexures I to VI.

## RECOMMENDATIONS

Malegaon is an industrial town having a large number of powerlooms to manufacture textiles. Its population according to the 1961 census consisted of 65 per cent of Muslims, 30 per cent of Hindus and 5 per cent of others, the total population being 1,21,408. In the last ten years the population has much increased.

The District Magistrate has described the peculiar features of Malegaon thus :

"Malegaon has same peculiar features. It has a flourishing trade of powerlooms which provides employment opportunities to a number of persons every year. This has given rise to a large scale immigration and mostly Muslims from U.P., Bhopal and Hyderabad come there every year for securing employment. Their living conditions in the slum areas are far from satisfactory. Most of them have to undergo a short period of waiting before they can secure employment. In the new atmosphere, they do not become responsible until they get well established. This gives rise to criminal tendencies at least in the beginning and because they are not well known in the localities, they feel more safe in indulging in crime. A regular scheme for the rehabilitation of slum dwellers is, in my opinion, the first and foremost measure which can reduce the causes of tension between the communities in the city."

This very well summarises the various statements made by persons in their written statements. We, therefore, suggest that some town planning scheme be evolved and proper dwellings be provided for immigrant Muslim workers so that they are not tempted towards committing offences and especially offences which effect communal relations.

The D.I.G. of Police has made a good suggestion that all the powerlooms working in the residential houses be shifted to proper shops and sheds.

There is a licensed slaughter house at Malegaon.

One of the main reasons for illegal slaughter of cattle in the town has been mentioned to be the inadequacy in the sanctioned quota of cattle for slaughter at the slaughter house considered in relation to the entire Muslim population of the city. The quota has been increased a couple of times since the disturbances in 1967. The authority fixing the quota should, however, keep on reviewing the quota sanctioned as the population of the city increases.

We have to make several suggestions on the administrative plan which will be conducive to the prompt tackling of the situation with potential for communal disturbances. They are :

(i) Residential quarters be provided for all the police staff posted at Malegaon and, as far as possible, they should be all in one colony or be distributed thana-wise;

(ii) The executive magistrates, viz., the Mamlatdar and the Sub-Divisional Magistrate, should also have official residences close to the city;

(iii) All the police officers and the magistrates should have telephones installed at their residences;

(iv) The police force should be increased and should be at least equal to the police force necessary at the 'Precautionary Stage' under the Emergency Riot Scheme;

(v) In addition to this increase of the ordinary local police, same S.R.P. force should also be posted at Malegaon so that it may be promptly available when any trouble is anticipated or arises;

(vi) The number of transport vehicles should also be increased so that the police officers are able to move about more quickly when some trouble is apprehended;

(vii) Powers to declare Precautionary Stage for the purposes of the operation of Riot Emergency Scheme be vested in the highest police officer present at the place.

Suggestions have been made for making Malegaon a district in place of a mere Sub-division of Nasik district. The proposal deserves careful consideration in view of the increasing population of Malegaon, its importance as an industrial town, the communal history of the place and it being at a long distance—66 miles—from Nasik, the district headquarters. The mere creation of the district will automatically lead to an increase in the police force there.

# COMMISSION OF INQUIRY ON COMMUNAL DISTURBANCES—JAINPUR AND SUCHETPUR (DISTRICT GORAKHPUR—U.P.), 1967—REPORT

New Delhi, Ministry of Home Affairs, 1969. 59p.

Chairman : Shri Raghubar Dayal.

Members : Col. B.H. Zaidi; Shri M.M. Philip.

## APPOINTMENT

The Commission was constituted under the Ministry of Home Affairs vide their Notification No. 19/47/67-Poll. I(A), dated November 1, 1967 to inquire into the communal disturbances that have occurred in the country since August 1, 1967.

## TERMS OF REFERENCE

(a) To inquire into the causes and course of the major communal disturbances since August 1, 1967 at the places and on or between the dates specified in the schedule to this notification;

(b) To inquire into the adequacy of the administrative measures taken to prevent and deal with the said disturbances;

(c) To recommend measures which may be adopted for preventing the recurrence of such disturbances; and

(d) To consider such other matters relating to communal disturbances as the Commission may think fit.

## CONTENTS

List of Abbreviations Used in the Report; Part I—Introductory; Mode of Inquiry; Scope of Inquiry; Part II—Events Prior to the Incident of 24th September, 1967; Incidents of the 24th September, 1967 and 25th September, 1967; Causes; Comments on the Action Taken Prior to 24th September, 1967; Action Taken by the Authorities After the Report of the Incident in Village Tola Mahuwawa on 24th September, 1967 and Comments Thereon; Intelligence; Part III—Suggestions; Annexures.

## RECOMMENDATIONS

No major suggestions for the prevention of communal disturbances can be made as a result of the inquiry about the incidents in villages Jainpur and Suchetpur. We endorse what has been stated by the State Government in its narrative. It stated :

"It is hardly possible to conceive fool-proof measures which can prevent, totally, the recurrence of such

sporadic incidents. The answer to the problem lies in maintaining constant vigilance by the local authorities and in taking prompt and effective preventive measures in time to nip the trouble in the bud."

The local authorities should be very vigilant in observing the developments of any dispute, however, petty, between the members of the two communities so long as the communal atmosphere remains vitiated. Such disputes may relate to any matter. The criterion for selecting a dispute for watching is whether the dispute is purely of a private nature between two individuals belonging to the two communities or is of a nature which attracts or has attracted the involvement of all or most of the people of each community. If it is not taken as an individual dispute it has to be watched for it has seeds of developing into a full-fledged communal disturbance at any time, if the dispute is not settled amicably by the parties.

We now make some suggestions concerning the detailed working of the agencies of law and order operating in the district for the maintenance of law and order.

Ample use of preventive sections of the Criminal Procedure Code should be made to curb the tendencies of the people to commit breach of peace.

There should be more informal contact between the police and the Sub-Divisional Magistrate so that the Sub-Divisional Magistrate should have a greater knowledge of the background of the preventive proceedings initiated by the police and to be dealt with by him judicially as a magistrate, as it is not possible to have a full background in the proceedings in the court.

The Police, both the Thana Police and the prosecuting agency, should take sufficient interest in the proceedings in preventive cases before a Magistrate. They should neither leave the conduct of the proceedings to the Magistrate alone nor depend on the counsel engaged by the private parties proceeded against. It is primarily the responsibility of the prosecuting agency to lead full evidence before the court and to stress all the points in favour of the prosecution.

There should be adequate arrangement for the appearance of Public Prosecutor in the Courts of

Executive Magistrates.

In disputes about land, leading to apprehension of breach of peace between the communities, an attempt should be made by the local authorities to settle the dispute amicably and in that connection, local visits and inquiry on the administrative side by the Sub-Divisional Magistrate can be helpful.

Special reports, whether copies of first-information reports, with regard to offences committed or reports with respect to other occurrences should be sent in distinctive envelopes. The envelopes should be addressed to the officer concerned by name. If possible, the envelope may also indicate the nature of the occurrences or offences reported unless for some public reasons it may not be desirable to disclose the nature of the contents.

Officers should instruct their staff, government or private, to bring such envelopes to their notice without any delay.

Officers ought not to water down the significance of these special reports merely on account of their being received much more frequently and with respect to different types of matters, all of which may not ordinarily require their immediate attention. They should realize that the mere fact that provisions have been made for the sending of such special reports to those officers, signifies that the matters reported are to be treated as of a special kind and should deserve more than an ordinary or cursory attention.

When a special report is with respect to offences committed by a member of one community against another, an extra report emphasizing the communal nature of the incident should separately accompany it, or even may precede it, of the despatch of the special report to the various officers gets delayed, so that their pointed attention be attracted towards communal nature of the occurrences reported.

The Sub-Divisional Magistrate and the District Magistrate being mainly responsible for the maintenance of law and order within their jurisdiction, any application presented to other officers under local orders containing matters of communal nature should be sent by those officers to the Sub-Divisional Magistrate to ensure that he knows of the occurrence or of the apprehension of a communal occurrence. The Sub-Divisional Magistrate will keep District Magistrate informed about the matter. These officers would then be in a position to keep a vigilant eye on the various developments and would be in a better position to anticipate any disturbance of communal nature and to take necessary preventive action in good time.

Officers have to be particularly careful in accepting the assurances of the parties in regard to their peaceful intentions. In practice such assurances are given by

only a few persons taken to be the representatives or the leaders of their community but it is not seldom that the other members of the community do not respect those assurances. The officers should make independent assessment of the position and take action according to their own assessment.

The directions about communication of information relating to communal occurrences should be scrupulously followed by the officers concerned.

The agency to collect information should be improved. The raising of the status and pay of the Chowkidar can be considered. The Sub-Inspectors themselves may contact Pradhans for information. Whatever the source of information, the Sub-Inspectors have to be careful to sift the correctness of the information as in rural environments the Chowkidar and Pradhan may not be immune from communal influences.

Of the various suggestions made by the witnesses, we would recommend the following :

Political leaders should help to develop an outlook among the masses to view the incidents leading to riots as incidents between individuals and not as between communities.

Persons in authority should in their speeches impress upon the people to maintain law and order whenever suitable occasion offers itself.

There should be a social organisation of influential people belonging to all the communities to promote feeling of brotherhood between the communities.

Severe action should be taken against administrative officers who fail to take preventive measures against occurrence of communal riots and when such failure indicates negligence on their part. Similarly, severe action should be taken against any party or person found propagating hatred against any community.

Compensation be paid to the victims of communal riots.

Punitive tax should be imposed on the people of the locality where communal disturbances take place.

Text-books should not have such matters as preach hatred against any religion.

We do not accept the following suggestions which in our opinion would not be conducive to the better administration and better relations between the communities :

On receipt of information of a communal riot, a senior officer of the Home Department should proceed to the affected area and that some local M.L.A. or M.P. should, along with responsible members of the aggrieved community, accompany him.

A judicial enquiry should be held in every case.

The officer during whose regime the occurrence has taken place should be transferred and a new one posted for the inquiry. The officer should be punished under



whose regime the trouble started.

Investigation should not be conducted by the officers who were in charge at the time of the occurrence of a communal riot.

The investigating and the prosecution officers should be punished if the culprits are not found guilty due to some legal lacunae.

Number of Muslims in the police should be increased and officers and men of both communities should be posted at every police thana or outpost. Muslims should be recruited to the police, P.A.C. and the Military. Ministry officers should be posted in disturbed areas.

We may mention that there is no bar against recruitment of Muslims in any of these services.

Issue of gun licences to the Muslims should be liberalised and licences for arms should be granted to Muslims for the protection of their life and property.

Issue of licence is in the discretion of the licensing authority and there is no provision in our knowledge which works adversely against the Muslims.

Communal disputes regarding cremation grounds, etc., should be decided by Panchayats.

I.P.C. should be amended to provide for death punishment for the crime of arson.

## COMMISSION OF INQUIRY ON COMMUNAL DISTURBANCES—RANCHI-HATIA, 1967—REPORT

New Delhi, Ministry of Home Affairs, 1968. 204p.

Chairman : Shri Raghubar Dayal.

Members : Col. B.H. Zaidi; Shri M.M. Philip.

### APPOINTMENT

The Commission was constituted under the Ministry of Home Affairs vide their Notification No. 19/47/67-Poll. I (A) dated November 1, 1967 to inquire into the Communal Disturbances that have occurred in the country since August 1, 1967.

### TERMS OF REFERENCE

(a) To inquire into the causes and course of the major disturbances since of August 1, 1967 at the places and on or between the dates specified in the schedule to this notification;

(b) To inquire into the adequacy of the administrative measures taken to prevent and deal with the said disturbances;

(c) To recommend measures which may be adopted for preventing the recurrence of such disturbances; and

(d) To consider such other matters relating to communal disturbances as the Commission may think fit.

### CONTENTS

List of Abbreviations Used in the Report; Part I—Introductory; Mode of Inquiry; Scope of Inquiry;

Part II—History of Incidents Leading to the Disturbances; Events of 22nd August to 24th August, 1967; Events of 25th August to 29th August, 1967; Events at Hatia; Steps Taken; Calling up of the Military to the Civil Aid; Part III—Whether the Disturbances were Pre-Planned or Not; Causes; Part IV—Adequacy of Arrangements; Part V—Recommendations; Annexures; List of Abbreviations Used in the Report.

### RECOMMENDATIONS

The root cause of the breaking out of serious disturbances as a result of any minor incident has been found to be the mistrust existing between the two communities since 1947 when the partition of the country took place. All efforts have to be made to remove this mistrust. What the efforts should be is for the political and social parties to evolve. Genuine improvement of the relation between the two countries—Pakistan and India—may go a long-way in allaying the apprehensions born out of mistrust and ultimately in removing the mistrust. The Commission considers it to be useful if people of all the communities form a permanent non-official organisation for doing the necessary propaganda to allay the mistrust. The move should come from non-officials. The propaganda can be carried out through the press and platform and through other means of communication. It should be on a consistent regular basis for

inculcating a feeling in the Hindus to consider the Muslims who have been residing in the country as good citizens and nationalists as they are, and in the Muslims the feeling that they are the citizens of this country and should show no sympathy or preference to Pakistan in matters of differences between Pakistan and India. It is the exhibition of some such sympathy or preference for Pakistan which is responsible for keeping the distrust alive, even though the persons expressing it may be only a small fraction of the Muslim population. So long as such activities even of a few are there, distrust is bound to exist.

It may be helpful if text-books in schools contained matters relating to all religions and mythology, referring to all great men and religious leaders of all the communities with respect. Matters should be so presented as not to be a propaganda for any particular religious faith. Similarly, history books should lay particular stress on facts relating to the unifying and good acts of previous rulers and administrators and should refer to unfavourable acts only objectively. In other words, no such fact be presented in a manner as to create disharmony among different Sections of the people. Of course, history has to present, in a comprehensive manner, facts as they took place. History of the national struggle against the British should have references to the constitutions and sacrifices of the members of the various communities.

The press or the speeches from the platform should avoid any expressions which may tend to create ill-will between the various communities in the country.

Any way, so long as the attitude of the two major communities in the country does not change from that of distrust to one of mutual trust, as existed prior to the partition, the danger of conflagration out of any incident, of whatever nature, between any two members of the communities would continue and it is essential for the administration to remain geared up to meet such sudden situations.

Another aspect of the question of bringing about improvement in the relations between the communities is that the periodic occasions likely to give rise to communal tension and clashes hardly give sufficient time for the stabilisation of improved relations when once they start improving. It is, therefore, of great importance that the authorities should try to control the rising tension on such occasions and to make adequate arrangements for the occasions to pass peacefully. A sufficiently long period free from tension is bound to have a salutary effect on the results of efforts for permanently improving communal relations.

On the administrative plane, the measures that may be taken for preventing and for dealing with such disturbances as in Ranchi and Hatia can be the

following.

## I. State Level

Whenever any agitation in the State is likely to lead to communal disaffection and trouble, the State Government should not only warn the District Magistrates and the Superintendents of Police to be alert but should itself take steps to settle the matter leading to the agitation. The Ministers constituting the Government should not speak with different voices as happened to be the case in connection with the agitation about making Urdu the second official language of the State. Such statements are bound to intensify the agitation and used by the parties to the agitation in favour of their respective cases. The persons who can be taken to be the spokesmen of the government should always speak in public with one voice.

Once the trouble starts the State Ministers ought not to express their views about the causes of the disturbances and the way they had been dealt with. Such statements are bound to be based on statements made to them, statements which in the circumstances are bound to be coloured and exaggerated. Any comment on how the situation is being dealt with by the local officers is bound to affect the steps taken by the local administrators who have to perform a very difficult task during the disturbances. There should be a self-imposed ban on their making statements specially when State Ministers may not be speaking with one voice.

Thirdly, the State Ministers should not try to unduly influence the local officers in their dealing with a situation for the simple reason that even though elected, their knowledge of the local conditions is not expected to be as thorough as of the local officers. The State Ministers may suggest to the head of the department what appears to them to be the right way of dealing with the situation. It is for the head of the department then to guide his subordinate officers in the actual way of dealing with the situation they are confronted with.

The State Ministers should not, at least openly, make any statements which tend to undermine the respect for authority and tend to demoralise the authorities. Nothing is more conducive to good administration than trust in the administration and the administrator. If that is lost, the administration is bound to suffer.

Officers in service should not be transferred on grounds other than genuine exigencies of service. Transfers should not, as a rule, be made merely on verbal-cum-private complaints. Such complaints should be substantiated.

Postings of District Magistrates and Superintendents of Police to various stations should be according to the

importance of the places and the comparative experience of the officers concerned. Such officers should not only be able to tackle the situation suitably but should also enjoy the confidence of their superiors in times of emergency.

Firm legal action be taken against the persons acting in a manner likely to create ill-will, hatred, etc., between the communities. Such cases once sent to court should not be withdrawn for political reasons.

The procedure for calling up the military to the aid of civil authorities should be clarified to avoid any delay in the response of the army to the requisition, or to avoid any last moment argument between the two authorities, and should clearly lay down the respective duties and powers of the army and the police so that no actual confusion arises between the two executive agencies in dealing with the disturbances.

Augmentation of the State Police and the Central Reserve Police may reduce the possibility of calling on the military for coming to the aid of civil authorities.

More importance be given to one of the functions of the Special Branch, namely, the function of gathering information about communal activities and tension.

Government may consider issuing of a notification directing that Section 4 of the Arms Act shall apply to specified cities or areas susceptible to violence in general or communal tension and also consider notifying such arms as daggers, knives, spears, swords etc. which no person shall acquire, have in his possession or carry in those cities or areas without a licence.

## II. District Level

The District Magistrates and the Superintendents of Police and their subordinate staff should be fully conversant with the emergency scheme prepared for the area and the part which each of the subordinate officers will have to play once the enforcement of the emergency scheme is announced. This would be a guarantee for making proper arrangements in enforcing the scheme and would avoid the delay in getting deployment of magistrates and police once the disturbance starts. It may be useful to have some rehearsal of the emergency scheme occasionally.

To enforce the emergency scheme, the reserve police and magistrates at the disposal of the District Magistrate and the Superintendent of Police should be adequate. It appears that several recommendations from the Superintendent of Police about the establishment of extra Police Stations, redistribution of their jurisdiction and increase in the number of forces are pending for consideration with the State Government for a long time. These should be dealt with, with the promptness they demand. If the proposals are sound,

they should be accepted. If not, they should be rejected. Holding in suspension such proposals for an inordinately long time does nobody any good.

There should be no hesitation in arresting goondas even on the mere possibility of a disturbance. The period of time between the imminence of a disturbance and its actual occurrence is bound to be too short and once the disturbance starts, the arrest of the goondas may be difficult, both for want of force and because of the likelihood of their going underground.

All measures of preventive action should be taken on the mere possibility of a communal disturbance in the present atmosphere. It is better to be forewarned and forearmed than to be optimistic and be proved wrong.

Contradicting the rumours likely to inflame communal tension, which are bound to get afloat at the happening of the slightest incident is of prime importance. Rumours travel very fast and can be contradicted only an officers getting information about their currency. It is to be considered how to contradict them before they get circulated widely and what action can be taken against the persons spreading such rumours. The use of the radio may also be helpful in contradicting rumours and giving out correct facts of the situation. Ranchi has a radio station and it should be possible to arrange frequent broadcasts on some controlled wave length for this purpose.

The use of publicity vehicles for contradicting rumours in a large city like Ranchi has not been found very effective on account of the time-lag factor.

The pattern of the police and the military patrolling in vehicles has not been found to be very effective. When the vehicles pass a certain place, the people committing mischief or intending to commit mischief get off the road and conceal themselves. They came out just after the vehicles have passed, in full knowledge that no further patrol party would be coming along to stop them from their activities for a substantial period of time. Further, the vehicles cannot go through a number of lanes and bye-lanes connecting the main streets and roads of Ranchi. The patrolling party should be so arranged that it would pass a certain spot within short intervals of time. The patrolling party can make surprise return visits to the spot. This can be one satisfactory way of checking incidents once disturbances have broken out.

Static pickets should also be located and utilised in the trouble some areas as to be really able to control that area. The latest figures for pickets and patrolling parties in the draft revised emergency plan for the district show a marked increase over the previous figures.

Proper arrangements for the enforcement of

144 Cr.P.C. orders and curfew must be invariably made as failure to enforce these orders properly stultify them and makes people apt to ignore them.

In the August 1967 disturbances, no information reached the District Magistrate or the Sub-Divisional Officer about the taking out of the procession or its being brick-batted till 4.30 p.m. and 3.30 p.m. respectively. Walkie-Talkie sets should be provided to the police parties escorting processions so that immediate information from places where trouble has taken place can be communicated to the control room. Such sets can be provided also to the armed pickets. So long as such sets cannot be provided to the armed pickets, telephones may be provided at vulnerable places according to the emergency scheme.

A city magistrate for Ranchi city should be appointed. The city and its suburbs are increasing rapidly and so are increasing the various problems for law and order. It is high time that a city magistrate was especially appointed to deal with the city area.

Some increase in the permanent magisterial staff of the district is also indicated. On the 22nd August we find a number of officers from the Administrative Training School drafted on duty. They had no experience and were just vested with magisterial powers to meet the requirements of law. Lack of experience and knowledge of the duties of a magistrate could not have made them really effective magistrates in the discharge of duties expected of them.

Hatia, where the industrial establishment of the H.E.C. is situated, deserves to be an independent subdivision. It is understood that the State Government has decided to create a sub-division there.

The present police arrangement for the Hatia colony is far from satisfactory. Most of the area of the colony is within the jurisdiction of Sadar Police Station, about 8 to 10 miles away. One or two separate police stations for such a colony are necessary for the proper control of the area.

Adequate armed reserve force should also be posted at Hatia.

The security personnel of the H.E.C. should also be invested with police powers in emergencies by the competent authorities. At present their powers are limited only to the protection of the plant.

Improvement in the working of the intelligence system is necessary. The special branch may need an increase in manpower. All possible avenues of getting information about developments of communal tensions should be utilised by the district officers. It be impressed on all Government and public bodies that they should not hesitate to convey any such information to the authorities.

The authorities should have more direct contact with

the people. The district authorities should evolve some such means of contact with the people as would ensure their obtaining reliable information of the trends of activities in the city.

Preventive action under Cr. P.C., Preventive Detention Act and other enactments should be taken at as early a stage as possible against possible mischief makers.

Services of well-known peace loving people be utilised to influence people to keep communal harmony and place whenever there is apprehension of communal trouble. They should exert themselves during the period communal tensions are being built up rather than later when tensions had resulted in communal clashes.

Arrangements should be made, if possible, for a photographer to accompany processions taken out in connection with agitations on controversial matters so that photographs may be taken of any untoward incident happening during the procession. The photographs can then be used in detecting the culprits.

### III. General

The political parties should change their attitude in approaching the people for their gain, especially at elections. They should not exploit communal or caste feelings for their purposes. No political, economic or cultural issues should be discussed or agitated from a purely communal angle. Communal harmony should be taken to be too sacred to be tampered with for mere political gain.

Similarly, communal politics should be kept out of labour unions, which should deal with matters purely connected with the welfare of labour.

A view has been expressed by several persons that communal parties should be banned. The proposal is fraught with difficulties, objective and subjective. The decision to declare a party communal and to ban it necessarily will have to be taken by the political party in power and the decision may not be fair. What type of communal organisation is to be banned would require careful consideration. Communal organisations merely constituted for the improvement of their communities may not be banned constitutionally. Communal organisations inciting ill-will or hatred against other communities could be considered as of a different category.

Wherever an industrial establishment is to be established a new, it would be worthwhile to include in the scheme for its establishment and attached colony, a provision for the establishment of a police station with the necessary police force for that area so that such make-shift arrangements as are in existence at Hatia be avoided. It may also be possible in such a case that

the cost of police establishment be borne, to some extent by the industrial establishment or by the government sponsoring it.

**Measures Suggested for being taken after the Disturbances :** Collective fines and the posting of the punitive police in areas where large scale communal disturbances took place would be effective. It is true that person who had nothing to do with the disturbances may have to suffer but the collective responsibility of the entire society to remain peaceful and the failure of the people to discharge that responsibility justifies these two measures.

#### Rehabilitation

All dependents of a person killed in riots should be paid adequate financial assistance.

Some compensation to victims for the loss suffered during the disturbances and for rehabilitation should be given.

We may not deal with some other suggestions made to us.

One of the suggestions is to organise some specified areas in some of the States on a cultural basis. The suggestion is that various Muslim pockets scattered all over India may be given the status of 'States' without disturbing the present population and that in these 'States' non-Muslims may also live and enjoy their rights as equal citizens. The suggestion, to our mind, instead of improving matters is bound to create more mistrust by confirming the existing mistrust between the communities as a result of the partition of the country.

The other two suggestions are that severe disciplinary action should be taken against the district and police authorities if they do not immediately take adequate and stern measures to quell the disturbances and that they should be transferred immediately on their failure to quell the disturbances in order to facilitate an inquiry against them. The suggestions emanate from an impression that no disturbance can take place in a town like Ranchi if only the district and the police authorities do not want it. Such a supposition seems to be wide of the mark. The authorities are not expected to, and do not create riots. It is their misfortune that they do take place and they have to deal with them according to the best of their ability. However, to lay down any such rules or direction as suggested would place a premium on the goondas and the mischievous people of the city. They can take advantage of any situation and create disturbances which may lead to the suggested action against the authorities. Of course, whenever such disturbances take place and there be complaints against the conduct of the local authorities, it is for the government to

make inquiries about the complaints and if it is proved that some officer was guilty of dereliction of duty, to take action against him. Merely his failure to quell disturbances cannot be taken as a positive proof of the dereliction of duty on his part. Disturbances may not be quelled speedily even if the best possible arrangements are made.

Further, any immediate transfer of a public servant on the happening of a certain incident within his jurisdiction is bound to affect his prestige and to cast a slur on his efficiency, even though an inquiry he may be later absolved of any charge of failure in the discharge of his duties. Reference may be made here to the effect of Gen. Habibullah's leaving his post at the H.E.C. after the inquiry conducted by Mr. Justice Mukherji, which cleared him of complicity in the incident of arson at the H.E.C. Plant. The suspicion of the people in general about his complicity, however, continued.

We do not consider these suggestions to be suitable for the prevention of communal disturbances or for their being effectively dealt with.

It would follow as a corollary from these suggestions that officers in whose jurisdiction communal disturbances do not take place or when they take place, are quickly quelled, are officers of higher calibre and should be rewarded in some form, be it by way of promotion or by way of being posted to the districts, which are considered better than others. It is for the administration to select officers for posting to a particular station which is considered important on the basis of the experience of the officer to be posted there. All officers cannot succeed in all posts and places, but to lay down any criterion like the one under discussion, has the potentiality of officers manipulating situations which may appear to give rise to apprehension of breach of the peace and then readily bringing the conditions to normal and thus gaining kudos for their action. After all, every officer is human and some of them may be tempted that way !

The general rule of keeping a record of an officer's service and taking action against him for his failure to do his duty and commending him for his good work of the ordinary, should continue to be fully effective in getting the best out of a public servant.

Another suggestion is that maintenance of law and order be made a central subject and that the State machinery for it should be more directly and more effectively under the control and supervision of the Central Government. This suggestion apart from other considerations, seems to be impracticable. The States have to be responsible for the maintenance of law and order.

The suggestion for provision of contiguous living

quarters for all Muslims in the H.E.C., again, seems to be a suggestion which would tend to perpetuate the separation of the communities and mistrust between them and will not be conducive to harmonious relations.

The suggestion for recruitment of greater proportion of Muslims to the police force in the various States presumes that either Muslims are deliberately not recruited to the various forces or that there should be some posts in the various services to be reserved for Muslims. The suggestion cannot be favoured. Recruitment to the services should be on the basis of merit and it is to be presumed that the recruiting authority recruits fairly. If there be any instance of the recruiting agency failing in its duty with respect to any particular individual, a grievance can be made of it and can be inquired into. So far as recruitment through Public Service Commissions is concerned, selection must be deemed to be on merit. So far as selection by other agencies is concerned, no direction can be issued for their leaning in favour of Muslims to see that an adequate number of Muslims are recruited whenever recruitment is made to any particular service.

Recruitment in Bihar of Muslims to the police services seems to be fairly conducted. The Chief Secretary has rightly expressed the view that he did not consider it a proper approach to the question of recruitment of services, especially the police service, whether recruitment is adequate or otherwise in respect of any particular community. There were different modes of selection for different services. Thereafter, he gave sample figures for recruitment to the ranks of Dy. S.Ps. and S.Is. in different years. He said :

"In 1964, four Dy. S.Ps. were appointed and all the four happened to be Hindus. Twenty five Sub-Inspectors were appointed in that year and out of them, twenty three were Hindus and two were Muslims, that is, 8 per cent. In 1965, no Dy.S.P. was appointed but twenty five Sub-Inspectors were appointed, out of whom twenty

two were Hindus and three were Muslims, i.e., 11.5 per cent. In 1966, five Dy. S.Ps. were appointed out of whom two were Muslims and three were Hindus, that is, giving 40 per cent representation to Muslims. In that year thirty one Sub-Inspectors were appointed out of whom four were Muslims, i.e., 12.9 per cent. In 1967, three Dy.S.Ps. were appointed and none of them was a Muslim; twenty eight Sub-Inspectors of Police were appointed and two were Muslims among them, i.e., 7.04 per cent.

There is no communal reservation. Out of seven D.I.Gs., three are Muslims.

The Inspector-General of Police had expressed the opinion that the Muslims were reasonably represented in the Police of the State.

Another suggestion is that a Board for the Indian Muslim minority with effective powers to look after the welfare of the Muslims and able to secure the redressal of their grievances should be established at the Centre and in each of the States of the Union of India that men of the highest integrity and well-established non-communal outlook alone should be selected to serve on these Boards. To us, this suggestion again would perpetuate the separatist attitude of the Muslims and would be of no help in bringing about harmonious relations between the two Communities.

While we have expressed our non-approval of certain suggestions made to us, we are of opinion that a periodical review of the way provisions of Articles 15(1) and sixteen of the Constitution and the enactments made there under have been actually worked it may be useful to allay the fears evidenced by certain of these suggestions. Articles 15 (1) and sixteen provide inter alia about non-discrimination on grounds of religion and caste and about equality of opportunity in matters of employment. Individual cases of discrimination can be dealt with by courts but a general feeling about it can be dealt with more thoroughly and effectively by a periodical review.

# EXPERT COMMITTEE ON UNEMPLOYMENT AMONG SEAMEN, 1967—REPORT

New Delhi, Ministry of Shipping and Transport, 1969, 143p.  
(mimeographed)

Chairman : Shri C.P. Srivastava.

Members : Shri R.T. Parthasarathy; Mr. J.W. Anson with Capt. J.P. Mason Price as alternate member; Captain A.B. Mc Sweeney with Shri N. Latif as alternate member; Shri G.D. Ved; Shri K.K. Khadilkar and Shri Leo Barnes; Shri Bikas Majumdar with Shri N.C. Bharadwaj as alternate Member's Capt. Indrajit Singh.

Member-Secretary : Shri P.N. Anand.

## APPOINTMENT

The declining employment opportunities for Indian Seamen and the large number of underemployed men has been exercising the attention of various interests concerned for sometime, including representatives of the Seafarers and the Government of India. The then Minister for Transport and Shipping took note of this anxiety in his opening address to the Fifth meeting of the National Welfare Board of Seafarers, at Madras, on September 18, 1967. The Minister also mooted the idea of the appointment of an expert Committee to go into this problem. The following extract from the Minister's speech on the occasion is relevant.

I would like to say a word to the Shipowners present here today. They know that we have a large land of trained, efficient and experienced Seamen in our Country. They are also aware that of late, because of number of factors like the advent of tankers and bulk carriers, installation of devices for automation and other technological advancements on board ships and the gradual reduction in the scale of manning, the number of jobs for Indian Seamen has registered a sharp decline during recent years. While steps are being taken by the Government to review the position from time to time and take suitable remedial measures, a humane approach to the problem of large scale unemployment among Indian Seamen on the part of ship-owners will be considerable help in tackling the situation. In any case, I must tell you that I feel concerned about the situation. I propose, therefore, to appoint an Expert Committee to go into the question of existing unemployment among Indian Seamen and likely trends

in the same in the near future, and to suggest possible remedial action."

The problem of large scale unemployment among Indian Seamen was also brought up at the 7th meeting of the Merchant Navy Training Board held at Delhi on October 27, 1967. The Board endorsed the proposal of the then Minister for Transport and Shipping for the appointment of an Expert Committee to go into this question and urge early action in the matter.

The Government of India in the Ministry of Transport and Shipping set up an Expert Committee to go into the question of unemployment among Indian Seamen vide their letter No. 14—MT (13)/67, dated December 2, 1967.

## TERMS OF REFERENCE

The Expert Committee was required to Study the question of unemployment among Indian Seamen and likely trends in this field in near future and to suggest remedial action.

The Committee was also called upon to examine the question of manning scale on foreign-going ships as recommended by the Committee on Public Undertakings on the Shipping Corporation of India Ltd. in its report submitted in April 1965. The relevant recommendation (No. 28) from the Committee's Report is reproduced below :

"It is noticed that Indian Shipping Companies generally employ more crew than foreign shipping companies for manning vessels of comparable size. This has been the case with regard to Shipping Corporation also. The Committee were also informed that the Seamen's Union was strongly opposed to any reduction in number. During evidence, the Committee learnt that a separate crew concept was evolved for the Asian Crew at the International Labour Conference. The Committee recommended that the entire question may be examined by the Government at the appropriate levels."

## CONTENTS

Summary and Conclusions; Appointment of Expert Committee; Historical Background of Employment of

Seamen; Study of Unemployment; Future Employment Forecasts; Remedial Measures; Miscellaneous Matters; Annexures from I to XVI B.

## RECOMMENDATIONS

1. The question of dwindling employment opportunities for Indian Seamen has been a cause of anxiety to all concerned for some time.

2. The Minister for Transport and Shipping, in his address to the fifth Meeting of the National Welfare Board on September 18, 1967 proposed the formation of an Expert Committee to study the problem of increasing unemployment among Indian Seamen.

3. The Ministry of Transport and Shipping, Government of India, set up on December 2, 1967 Expert Committee to go into above problem.

4. The Expert Committee was required to study the question of unemployment among Indian Seamen, likely trends in near future and to suggest remedial action. The Committee was also required to examine the question of manning scale on foreign-going ships.

5. At its first meeting at New Delhi, on February 11, 1968 the Committee studied basic documents and decided to circulate a questionnaire.

6. At its second meeting at New Delhi on 8th and 9th July 1968, the Committee studied replies to the questionnaire and several other papers.

7. The Committee felt that it was necessary to improve the technical capability of Seamen and consequently appointed a Training Sub-Committee to examine this aspect in detail.

8. At its third meeting at Madras on 23rd and 24th August 1963, the Committee heard the Directors of the Seamen's Employment Officers, Principal Officer of MMD, Madras, and Technical Officers of Shipping Companies. The survey conducted by DSEOs indicated a necessity to interrogate Seamen at the time of their engagement and discharge. The Committee also decided to refer the Training Sub-Committees report to shipowner's and seafarers.

9. At its fourth meeting at New Delhi on 9th and 10th April 1969, the Committee reviewed the comments received and unanimously adopted the report of the Training Sub-Committee.

10. At its fifth meeting at New Delhi on 7th May 1969, the Expert Committee approved the final draft of its report unanimously.

11. India has a long coastline of more than 5000 kilometres. There are 300 ports plus some important groups of islands to the east and west. Hence, the coastal belt of India has been the home of a large traditional seafaring population since ancient times.

12. Since the beginning of the 16th century, European powers dominated international shipping

and the national shipping declined, Indian Seamen were employed by non-Asian Shipping Companies in large numbers, but accurate statistics are not available.

13. In the old times, shipowners recruited Seamen through contractors in order to secure reliable and efficient crews at short notice. The contractors in turn kept close liaison with deck and engine room serangs and chief stewards. The intermediaries exploited the Seamen.

14. The International Labour Organisation adopted the placing of Seamen's Convention in 1920, which advocated abolition of intermediaries and establishment of a professional agency for recruiting Seamen. Most of the non-Asian countries, and Japan among Asian countries, ratified and implemented the convention within a short time.

15. The Government of India, an advice of the legislature, decided not to ratify the convention but to examine methods of recruitment at different ports and to remove the abuses.

16. A Committee, designated as the 'Seamen's Recruitment Committee, was appointed to investigate the employment of Seamen. The Committee recommended abolition of the system of licensed brokers. Ghat serangs and Butlers imposition of a ban on the 'indirect selection of leading ratings, and establishment of special employment bureaux. The recommendations of the Committee were opposed by several interests. Hence, the Government confined itself to curtailment of privileges of the contractors and to control of selection of leading ratings through Shipping Masters and Shipowners.

17. The Royal Commission on Labour India (1931) studied the problem of Indian Seamen and recommended abolition of the system of licensed brokers. Between 1932 and 1938, action was taken to withdraw the licences of brokers and towards restricted issue of new continuous discharge certificates.

18. Despite some changes, scope for corruption persisted. The leading ratings were allegedly obliged to pay heavy bribes and they in turn exploited other Seamen whose selection largely depended as their discretion.

19. Excessive Supply of Indian Seamen continued to be the basic source of the malady. It was estimated in 1935 that while the employed Seamen numbered 59,000, the number of unemployed Seamen ranged between 1, 13,000 and 76,000.

20. Various methods adopted from time to time to ameliorate the employment conditions of Indian Seamen could hardly bring any change in the ultimate situation over years. The Government of India convened a tripartite Maritime Labour Conference in 1947 to examine this vexed question afresh. It was revealed



that there were nearly 3,00,000 Seamen against hardly 65,000 jobs.

21. The shipowners and the seafarers desired to reorganise the recruitment system between themselves. Maritime Boards, with equal representation of shipowners and seafarers, were set up at Calcutta and Bombay to introduce 'Joint Supply System'. This system produced little impact, largely due to plentiful supply of Seamen.

22. As the joint supply system failed, Government amended the Indian Merchant Shipping Act, 1923, and assumed powers to set up Seamen's Employment offices in order to regulate and control the recruitment and promotion of seamen.

23. The I.L.O. organised the First Asian Maritime Conference in October 1953 and adopted resolutions recommending that Governments of maritime countries review their system of recruitment and initiate measures to eliminate defects in the prevailing system.

24. As bipartite efforts had proved ineffective, Government adopted the alternative suggested by the placing of Seamen's convention, and established Seamen's Employment offices at Bombay (1954) and Calcutta (1955) as a part of Government machinery. A Seamen's Employment Scheme was evolved. Seamen's Employment Boards, consisting of equal number of representative of shipowners, seafarers and the Government, were set up.

25. The salient features of the Seamen's Employment Scheme were, compilation of authentic records, provision of employment on rotational basis, elimination of unsuitable seamen, programming of future entrants and assessment of magnitude of related social aspects.

26. In the past, due to lack of organised pre-sea training, the attainment of a high standard of efficiency was largely a matter of personal initiative and ambition. Need for ensuring high standard of efficiency was keenly felt in view of modern trends in ship operations. A training scheme for ratings was brought into force 1950-51 with the commissioning of two of boat training establishments. A shore establishment was later set up in 1955.

27. Considerable improvement has been brought about in the old situation. The present position can be summarised as follows: (a) the licensed brokers and free-charging agencies have been eliminated, (b) effective restriction has been imposed in order to regulate the number of seamen, (c) Seamen's Employment Offices have been established at Bombay, at Calcutta to ensure equitable distribution of employment, and (d) training for dock and engine room ratings is imparted through Ratings Training Establishment in order to introduce a minimum standard of efficiency among ratings.

28. Surplus availability of Seamen has been an endemic feature of Seamen's employment in India. As on January 1, 1956, jobs available at Bombay were 21058 as against 29023 registered Seamen. The number of jobs came down to 18,308 as against 28840 Seamen on January 1, 1969. Similarly, jobs available at Calcutta dropped down from 14400 as on January 1, 1956 to 7670 as on January 1, 1969 while the number of registered Seamen came down from 18,461 to 12,705.

29. The highest number of jobs were available at Bombay in 1958 and at Calcutta in 1957. Since then there has been a persistent decline, the decline being very steep at Calcutta.

30. It has been the general practice to maintain rosters at 150 per cent of the number of jobs available. The number of surplus seamen over and above the 50 per cent margin on actual number of jobs has slightly declined at Bombay and Calcutta during 1968.

31. In 1947 about 90 per cent of Indian Seamen were employed on foreign flag ships. The percentage has come down to 67 per cent for Bombay and 75 per cent for Calcutta due to steady growth of Indian tonnage and reduced employment opportunities a foreign ships. The number of seamen employed by the British ships has persistently gone down, while the number of seamen employed by other foreign ships has gone up to some extent. Non-British foreign shipowners select their crews from Bombay and not from Calcutta. However, British ships remain the largest employers of Indian Seamen.

32. The number of Indian ships recruiting crews has shown a steady increase, but there is a corresponding decline in the number of foreign ships engaging Indian crews. At Bombay, decline in the latter is compensated by increase in the former, but this has not been possible at Calcutta.

33. Between 1963 and 1969, at Bombay the number of ships employing Indian Seamen has remained the same while the number of jobs available has gone down by 10.6 per cent. A change in the manning policy of foreign ships largely accounts for this. A similar situation is revealed by a comparison of overall number of ships recruiting crews and the number of jobs available.

34. Passenger ships which traditionally employ large crews are going out of business due to stiff competition from air transport. Keen competition from new markets for Seamen like Africa, Pakistan and South-East Asia has also affected the chances of Indian Seamen.

35. World tonnage is increasing year by year, but the fastest rate of growth is recorded by the socialist countries who along with new developing countries generally employ their own nationals as Seamen. This

restricts the employment opportunities for Indian Seamen.

36. Mounting costs and stiff competition have prompted automation and employment of general purpose crews, which have reduced manning scale of foreign ships. This trend is likely to continue in future.

37. During the last decade, world tonnage has increased by 64.3 per cent. But a substantial portion of the larger world tonnage has been provided by the increased size of Super tankers and bulk carriers which does not get reflected in increased requirement of crews.

38. The container ships have brought about a revolution. Being fast and having a large capacity, they replace 3 to 7 conventional cargo liners.

39. Merchant navy career is now much more attractive than what it was in the past, hence more nationals of advanced maritime countries offer themselves for employment.

40. Remarkable growth of Indian Shipping in recent years, specially in liner sector, has resulted in proportionately lesser number of foreign ships coming to India. Foreign ships which do not call at Indian Ports hesitate to engage Indian Seamen as repatriation expenses are high.

41. The present system of limiting the employment of Indian Seamen within certain latitudes and longitudes during winter months tends to restrict their employment, particularly on super tankers.

42. Increasing sophistication on modern ships and lack of capacity to converse in English have acted as handicaps for the Indian Seamen. This handicap can be removed through adequate and rigorous pre-sea training.

43. Indian Seamen have won recognition from British ship owners over a century for their devotion to duty and efficiency. The Committee has emphasized that Indian Seamen should demonstrate superior standard of discipline as it can lead to improved employment potential. Even minor cases of indiscipline affect employment opportunities.

Leaders of Seamen's Unions should also continue to deal with the seamen's problems in a manner as would create the right impact and promote harmonious relationship.

44. Occasional enquiries are received from certain European countries regarding prospects of employing Indian Seamen. But they do not have accredited agents or representatives in India to deal with various employment problems. These countries can become a good source for employment.

45. The number of jobs available has declined sharply compared to the number of Seamen. Though the general waiting period ranges between 3 to 9

months, some seamen have had to wait for 12 months or even longer. The position at Calcutta is worse than that at Bombay. Paradoxically enough, in certain cases shipowners do not get adequate response from the Seamen against calls to muster.

46. General consensus among about 200 seamen interviewed at Bombay and Calcutta was that they required only 2 to 3 months' rest between two successive employments. At Bombay, about 25 per cent of seamen get alternate jobs during "off articles" period. At Calcutta, only 10 per cent of Seamen could get such opportunity.

47. Many variables, such as recent technological changes, new manning policies of foreign shipping lines, and comparative decline of the importance of foreign ships in India's international trade, make any attempt at estimation of requirements of Indian Seamen difficult.

48. The strength of manpower in the British merchant navy, which is the largest employer of Indian Seamen, has come down from 1,52,470 in 1957 to 99,703 in 1968.

49. The Committee feels that a further reduction in the level of employment of Indian Seamen in foreign ships is inevitable and concludes that reduction on this account till 1974 may be reckoned as 10 per cent of the number of jobs held in 1969, excluding general purpose rosters.

50. Rapid expansion of Indian Shipping during the Fourth Plan is likely to bring about increased job opportunities. But this is likely to be counter-balanced to some extent by reduction in conventional manning scale and possibility of employment of integrated crews on Indian ships. During the Fourth Plan a net addition of 60 vessels to the Indian fleet resulting in about 2600 additional jobs is expected.

51. Some Indian Shipping companies are already considering employment of integrated crews. The Committee concludes that for the Indian Shipping industry to remain internationally competitive, a review of its manning policy in the near future is imperative. A provision for a reduction may be envisaged on this account during the course of next five years.

52. By the end of the Fourth Plan period (1974), the net jobs available for Indian Seamen are estimated to be about 26,600 as against 26,060 seamen registered at present.

53. Between 1964 and 1967, the average annual wastage of seamen was 1789 at Bombay and 588 at Calcutta. A cansewise and categorywise analysis of wastage has been made. The wastage was significantly more at Bombay as compared to Calcutta except on account of medical unfitness.

54. Annual wastage at Calcutta has come down from 4.7 per cent in 1966 to 3.6 per cent in 1968. As a large number of Seamen registered at Calcutta is in a younger age group, the Committee recommends a provision of 3 per cent per annum wastage on this account till 1974. For Bombay, the provision suggested is 5 per cent per year.

55. The Committee has suggested a four-pronged line of action based on creation of an effective Seamen force whose sole occupation is sea-faring, regularity of employment, improvement of quality of training, and further restrictions on fresh intake of trainee ratings.

56. A large surplus of maritime labour and a rather loosely framed employment procedure evolved due to historical reasons, tend to cultivate a situation where under employment among seamen and poor response to calls for jobs subsist side by side. In the opinion of the Committee, the time is now ripe for a more scientific approach to this long outstanding problem. An effort should be made to attain a proper working balance between the number of registered seamen and the number of jobs available. Simultaneously, the shipowner must have an assured supply of crew and the Seaman an assured job.

57. The Committee recommends that the percentage of seamen on rosters should be brought down gradually over a period of years from the existing level of 160 per cent of the number of jobs to a level where every Seaman desirous of obtaining a job is assured of employment after about three months from the date of his discharge from previous employment, certainty must replace uncertainty and apprehension on either side. The shipowners must get seamen when required and seamen should also know precisely when they should be ready for the next voyage. The Committee warns against undue haste in the reduction of rosters as it would be against the interest of both parties and recommends that the matter be kept under careful and constant review.

58. The Committee is convinced of the need to improve the technical capability and efficiency of Indian Seamen so that they acquire greater professional skill and knowledge and can compete with Seamen from other countries.

59. The question of training was examined thoroughly by a special sub-committee and recommendations have been made to effect substantial changes in the curricula of pre-sea training with consequent expansion of training period four to six months.

60. Suggestions have also been made for application of more rigid standards for selection of trainees. Eighth standard passed has been recommended as the minimum educational qualifications.

61. The Committee understands that the question of

revision of medical standards for Seamen is receiving Governments attention. It feels that in view of the growing responsibility of seamen and competition from other sources, more stringent medical standards should be introduced.

62. The Committee has also recommended institution of some special courses for officers and ratings. Particular emphasis during regular training on personnel management and human relations has also been suggested.

63. It is important to supplement pre-service training with inservice training, and shipowner are advised to evolve proper schedules for this purpose.

64. The Committee does not recommend a total suspension of fresh recruitment. But it advocates a balanced approach so that 50 per cent of the annual wastage of ratings is made good by fresh recruitment and the balance of 50 per cent is offset against the surplus availability of ratings. Annual recruitment of 600 deck and engine room trainees and 300 recruits for the saloon side is recommended subject to an annual review.

65. After taking into account the absorption pattern of ratings at Bombay and Calcutta, the Committee recommends that the intake should be apportioned between the two centres in the ratio of 35 : 15.

66. The Committee has taken note of accumulation of 600 trainees at Calcutta and has spelled out specific measures to relieve the situation.

67. The Committee recommends that Government should review the Ratings' Training Establishments keeping in view the proposed reduction in intake and suggestions for more 'intensive training'.

68. The Committee notes with satisfaction that "one call system" has been enforced at Calcutta from October, 1968 and is expected to be put into effect at Bombay in the middle of 1969. It attaches great importance to the implementation of this system as it is likely to have a salutary effect on the regularisation and stabilisation of employment of Seamen.

69. The Committee recommends that future vacancies in Home Trade Sector should be filled by rating-trainees or foreign-going Seamen, who should be allowed, under certain conditions, to come back to the foreign going sector.

70. The Committee suggests rigid enforcement of retirement age. It also recommends that Seamen falling in the age group of fifty to sixty years should be encouraged to seek voluntary retirement through relaxation of rules regarding payment of gratuity and provident fund. This would help in achieving a satisfactory balance between number of jobs and Seamen registered.

71. Taking note of the historical background regarding manning scales applicable to Indian and foreign

crews, the Committee feels that the scale of manning for Asian Seamen as compared to other seamen is linked with the question of wages and hours of work. Since the bulk of Indian Seamen are employed by British Ships and U.K. has not ratified the I.L.O. convention pertaining to wages, etc., reduction in manning scales in the absence of adequate safeguards regarding other related factors is likely to aggravate unemployment among Seamen without adequate compensating advantages to them. The Committee also notes that the questions regarding wages, hours of work and manning are under constant review between the representatives of shipowners and seafarers and that there is a tendency towards gradual narrowing down of differences between the Asian and non-Asian Seamen in respect of manning scales and related matters. But the achievement of uniformity is likely to take many years.

72. As the Committee has recommended a curtailment in the intake of fresh trainees, it cannot recommend acceptance of the request of the Nautical and

Technical Institute and Seamen's or plan age, Nhava Island, Bombay, for expansion of its training programme.

73. The Committee agrees with the National Shipping Board that in view of large scale unemployment among seamen, the question of permanency of their employment cannot be considered at this stage.

74. In formulating its views, the Committee has taken into consideration, recommendations pertaining to seafarers made by the Committee on Shipping of the National Conference on shipping, ship building and ports held at New Delhi from December 16 to 18, 1967.

75. The Committee also considered to the question of provision of suitable reorientation and retraining courses for Seamen to equip them for allied occupations in shore industries. The Committee is of the view that there is no need for any special arrangements in this respect.

## HOTEL REVIEW AND SURVEY COMMITTEE, 1967—REPORT

Delhi, Manager of Publications, 1969. 139p.

**Chairman :** Shri S.D. Khanna.

**Members :** Managing Director, India Tourism Development Corporation; Shri Ram Nath Kapur; Shri R.N. Kaul; Shri K.C. Sen or Shri V.M. Kotak or Shri T.R. Sesha-giri or Shri L.G. Ramamurthi; Shri Inder Sharma; One Representative of each State Government.

**Representatives For Each Region Of The Federation Of Hotel & Restaurant Association Of India**

Shri Ram Pershad	Northern India
Shri Maneck S. Shaw	Western India
Shri P. Ananda Rau	Southern India
Shri S.N. Singh	Eastern India

**Representatives Of State Governments/Union Territories**

Shri Maharaj Karan,	Andhra Pradesh
Shri H.P. Rajkewa	Assam
Shri Umanath	Bihar
Shri Partap Rai	Chandigarh Territory

Shri M.C. Tandon
Shri Yogendra Kohli
Shri M.H. Shah
Shri P.L. Chhabra
Shri S.K. Rana
Shri P.R. Mahajan
Shri M. Vasu Menon
Shri I.S. Parihar
Shri T.V. Vasudevan
Mrs. Malti Tambay Vaidya
Shri M.D. Mariputtana
Shri P. Tripathi
Shri D.D. Sehgal
Shri P.R. Ramanathan
Shri Narain Sinha
Shri Shrish Chandra
Shri B.N. Bhattacharya

Delhi
Goa, Daman & Diu
Gujarat
Haryana
Jammu & Kashmir
Himachal Pradesh
Kerala
Madhya Pradesh
Madras
Maharashtra
Mysore
Orissa
Punjab
Pondicherry
Rajasthan
Uttar Pradesh
West Bengal (Shri Arun Chatterji and Miss P. Bose Deputised for Shri B.N. Bhattacharya).

The Directors of the Regional Tourist Offices in Delhi, Bombay, Calcutta and Madras were co-opted as members of the Committee for their respective regions.

## APPOINTMENT

In 1957, the Ministry of Transport Government of India which handled the subject to tourism at that time appointed a Committee called the Hotel Standards and Rate Structure Committee. This Committee was headed by Diwan Chaman Lall, M.P. and one of the main objectives which the Committee set for itself was to "lay down Criteria for the purpose of classification of the hotels in India keeping in view international standards that apply to similar establishments elsewhere". In its report published in 1958, the Hotel Standards and Rate Structure Committee strongly recommended that the hotels in this country should be classified. The Committee which went into the question of classification of Hotels in great depth also recommended that the classification of hotels should be on the 'Star' system and evolved the criteria that should be applied for classifying the hotels in different categories from One Star to Five Star.

In pursuance of the recommendation of the Hotel Standards and Rate Structure Committee that hotels be classified, a Committee called the Hotel Classification Committee was appointed by the Government in June, 1962 and the Chairman of this Committee was the Late Shri G.R. Kadapa, the then Deputy Director-General in the Department of Tourism. This Committee made a very extensive tour of the Country and inspected 229 hotels and 123 restaurants and submitted its report in August, 1963. Among the 29 recommendations made by this Committee, one of the most important recommendations was that the classification of hotels should be reviewed at least once in three years. All the recommendations of this Committee were accepted by Government including the one that the classification of hotels be reviewed once in three years.

In pursuance of this recommendations the Committee for reviewing the classification of hotels should have been appointed sometimes in 1966, but there was some delay until after the last General Elections when representatives of the hotel industry met the Minister for Tourism and Civil Aviation and emphasized the need for the appointment of such a Committee. It was decided by the Government that a Committee be appointed to review the classification of the hotels which had already been classified including those which were dissatisfied with the grading they had received and to classify such other hotels as had come into being since the time of the last classification Committee or had not applied at the time of the last classification.

At the same time, it was decided that a Committee also be appointed to conduct a survey of the existing hotel capacity in the country and to make studies for determining how much additional hotel capacity was required in the country to meet the needs of the growing tourist traffic. Subsequently, it was decided that instead of two Committees, a somewhat enlarged Committee should undertake both functions. At the meeting of the Tourist Development Council in Simla in 1967, it was suggested that an assessment should be made of the economics of the rates charged by hotels in different categories and a determination made whether a rational basis could be evolved for standardising the rates.

The Hotel Review and Survey Committee was accordingly appointed in November 1967 Vide Government of India, Resolution No. 1-HRSC (1) 67, dated the December 6, 1967.

## TERMS OF REFERENCE

To invite applications fresh from all such hotels located in important tourist centres as are interested in being placed on the approved list of the Department of Tourism; are desirous of being classified on the basis of criteria evolved by the Hotel Standards and Rate Structure Committee in 1958, and agree to abide by the regulatory conditions laid down by the Department of Tourism from time to time.

To review the classification of such hotels as were dissatisfied with the category accorded to them by the Hotel Classification Committee in 1963 and had made representations to this effect to the Department of Tourism.

To survey the requirements of additional hotel bed capacity at the improvement tourist centres to be provided by both public and private sectors by 1971 and by the end of the succeeding five years; and also to recommend the type of hotels suited for each place;

Agra, Ahmedabad, Ajanta-Ellora, Aurangabad, Bombay, Bangalore, Bhubaneshwar, Calcutta, Cochin-Ernakulam, Darjeeling, Delhi, Gulmarg, Goa, Hyderabad, Jaipur, Jammu, Khajuraho, Kanchipuram, Konarak, Madurai, Madras, Mahabalipuram, Mysore, Puri, Srinagar, Tanjore, Trivandrum, Udaipur, Varanasi, and such other places as the Committee may unanimously agree to add to this list.

To review the rates charged by hotels which are classified on the star-system with the object of determining a rational basis for standardising the rates in each category.

To inspect restaurants with the purpose of according approval to those which are of the requisite standard in catering to the needs of international tourists, on the basis of the criteria evolved by the Hotel Classification

Committee in its report submitted in 1963.

After its first meeting held on December 7, 1967, the Hotel Review and Survey Committee requested that the terms of reference of Committee be modified in order to include all hotels in India for review and classification and not merely those which were located in important tourist Centres and those which were dissatisfied with the previous classification. The Government accepted the request of the Hotel Review and Survey Committee and issued fresh terms of reference on February 7, 1968 Vide Resolution No. 1-HRSC (1) 1/67 dated February 7, 1968.

## CONTENTS

Introduction; Classification; Survey of the Requirements of Hotel Capacity; Standardisation of Hotel Rates; Summary of Recommendations; Acknowledgements.

## RECOMMENDATIONS

1. The hotel establishments which qualified for the award of five star, four star, three star, two star and one star respectively, as listed in Annexure I may be declared as having qualified for the category shown against each.

2. The restaurants which qualified for approval as listed in Annexure II of this report may be declared as restaurants approved by the Department of Tourism, Government of India.

3. Those establishments which did not qualify for classification/approval may be informed accordingly.

4. The present criteria for the classification of hotels which have many lacunae be revised and the revised criteria as given in Annexure IV of this report may be applied for the classification of hotel establishments in the future. In applying the revised criteria it may be ensured that no failures are condoned in features described as "Essential", and only one failure condoned in features described as "Necessary". Marks given in features described as "Desirable" may be counted towards the minimum aggregate of 66 per cent. These revised criteria may be applied in the case of new hotels from 1st January, 1970 and in the case of existing hotels from 1st January, 1971.

5. In order to encourage hotel establishments aspiring for a higher category to effect improvements without delay; to enable new establishments; and to ensure that classified establishments maintain the standards of the category which they have been awarded, it is recommended that a Permanent Central Committee be set up in the Department of Tourism, composed broadly on the lines of the Present Committee, with four Regional Sub-Committees at Delhi, Bombay, Calcutta, and Madras. Inspection and classification/approval of

hotels/restaurants may therefore, be established as a continuous process with the Permanent Central Committee making recommendations to the Government on the establishments inspected, and the Regional Sub-Committees making twice yearly inspections of approved hotels and restaurants in their region to check on the maintenance of standards and the utilisation of imported items.

6. In the event that the standards of any establishment fall to the extent that the gradation/approval awarded to it becomes inapplicable, the establishment may be suitably down-graded or if warranted, removed from the approved list of the Department of Tourism after due notice.

7. The next all-India review and reclassification of hotel establishments and approval of restaurants may be undertaken in October-December 1971, and this fact suitably published in advance.

8. All the hotels and restaurants establishments inspected by the Committee may be informed of the areas in which they did not qualify or barely qualified to enable them to effect improvements in these areas so that they may maintain and/or upgrade the starrage awarded to them by the present Committee.

9. A Hotel Consultancy Service may be set up with persons on its organisation such as an architect, an economist, a chartered accountant, experienced hoteliers etc. Capable of advising on all aspects of a hotel project beginning with its feasibility, its planning and designing and finally on its operation. Such a consultancy service may be made available on the payment of a fee by the establishment concerned so that the agency becomes self-supporting.

10. The hoteliers may be given all facilities in obtaining the services of foreign consultants in specialised fields whenever necessary and when such services are not locally available.

11. Hotels may be permitted to employ professionally qualified foreign managers, executive house-keepers, chiefs/personnel for kitchen management and other key personnel until such time as such personnel with the requisite training and experience are available in the country. Similarly, young men and women seeking carriers in the hotel industry may be given necessary foreign exchange to enable them to specialise in the various fields at recognised institutions abroad, particularly in the field of house-keeping in which there is a dearth of trained personnel at present. The institutes of Catering Nutrition and Hotel Management may be asked to enlarge their facilities for training a larger number of personnel and for offering refresher courses to those already employed. The institutes may be permitted to employ foreign teaching staff, particularly for specialised fields such as house-keeping and cuisine.

## 27. Hotel Metropole

Panjin (Goa)	: 28. Hotel Mandovi
Patna	: 29. Hotel Republic
Shillong	: 30. Pinewood Hotel
Srinagar	: 31. Nedou's Hotel
Ootacamund	: 32. Hotel Dasaprakash
	: 33. Savoy Hotel
Waltair (Visakhapatnam)	: 34. Palm Beach Hotel
The following hotels are recommended for Two Star categorisation—	
Agra	: 1. Grand Hotel
Allahabad	: 2. Barnetts Hotel
Amritsar	: 3. Hotel Airlines and Restaurant
	: 4. Guest House
Aurangabad	: 5. Aurangabad Hotel
Bangalore	: 6. Madras Woodlands Hotel
	: 7. Shilton Hotel
Bombay	: 8. Airlines Hotel
	: 9. Astoria Hotel
	: 10. Sea Green Hotel
	: 11. Sea Palace Hotel
	: 12. South End Hotel
Calcutta	: 13. Fairlawn Hotel
	: 14. Hotel Majestic
	: 15. New Kenilworth Hotel
Cochin	: 16. Grand Hotel
	: 17. International Hotel
Coonoor	: 18. Hampton Hotel
Dalhousie	: 19. Aroma-N-Claire's
	: 20. Grand View Hotel
Darjeeling	: 21. Central Hotel
Dehradun	: 22. Hotel Kwality
Delhi/ New Delhi	: 23. Hotel Flora
	: 24. Lodhi Hotel
	: 25. Manor Hotel
	: 26. Hotel Metro
	: 27. New Delhi Y.M.C.A. Tourist Hostel
	: 28. Hotel Ranjit
Dhanbad	: 29. Savoy Hotel and Restaurant
Gopalpur-on-Sea	: 30. Hotel Oberoi Palm Beach
Gulmarg	: 31. Nedou's Hotel
Hyderabad	: 32. Rock Castle Hotel
Jabalpur	: 33. Jackson's Hotel
Jaipur	: 34. Kaiser-I-Hind Hotel (Tourist Palace)
	: 35. Hotel Khetri House
	: 36. L.M.B. Hotel
Kodaikanal	: 37. Carlton Hotel
Kota	: 38. Hotel Navrang
Madras	: 39. Hotel Claridges

	: 40. Geetha Hotel
	: 41. Hotel Oceanic
Matheran	: 42. Lord's Central Hotel
Nainital	: 43. Belvedere Hotel
	: 44. Grand Hotel
	: 45. Swiss Hotel
Patna	: 46. Palace Hotel
Poona	: 47. Hotel Gulmohr
Puri	: 48. South Eastern Railway Hotel
Quilon	: 49. Hotel Neela
Ranchi	: 50. South Eastern Railway Hotel
	: 51. Hotel Yuvraj
Ranikhet	: 52. West View Hotel
Salem	: 53. Hotel Dwarka

Siliserh (Alwar)	: 54. Rajasthan State Hotel
Trivandrum	: 55. Mascot Hotel
Udaipur	: 56. Garden Hotel and Motel
	: 57. Rajasthan State Hotel
Vijayawada	: 58. Hotel Manorma

## Vasco-Da-

Gama (Goa) : 59. Hotel Zuhari

The following hotels are recommended for One Star categorisation :

Ahmedabad	: 1. Hotel Alankar
	: 2. Hotel Capital
Allahabad	: 3. Royal Hotel
Bombay	: 4. Hotel Parkway
	: 5. See Green South Hotel
Calcutta	: 6. Carlton Hotel
	: 7. Lytton Hotel
Calicut	: 8. Alakapuri Guest Houses
	: 9. Beach Hotel
Coimbatore	: 10. Hotel Alankar
	: 11. Hotel Guru
Dehra Dun	: 12. Hotel White House
Delhi	: 13. Hotel Bhagirath Palace
Gwalior	: 14. Hotel Gujri Mahal
Hubli	: 15. Hubli Woodlands
Hyderabad/ Secunderabad	: 16. Percy's Hotel
Kanpur	: 17. Hotel Berkele House
Kottayam	: 18. Hotel Ambassador
Madras	: 19. Tourist Hotel Andhra Mahila Sabha
	: 20. Gupta's Ajanta Hotel
	: 21. Queen's Hotel
	: 22. Hotel Swagath
	: 23. The Tourist Homes (P)Ltd.
Margao (Goa)	: 24. Goa Woodlands Hotel
	: 25. Hotel Neptune
Matheran	: 26. Cecil Hotel
Mussoorie	: 27. Hakman's Grand Hotel

	28. Hotel Roan-Oke
Mysore	: 29. Mysore Dasaprakash
Nainital	: 30. Hotel Metropole
Panjim	
(Goa)	: 31. Hotel Solmar
Poona	: 32. Wellosley Hotel
Ranikhet	: 33. Moon Hotel
Tiruchirapali	: 34. Hotel Aristo
Trivandrum	: 35. Hotel Magnet

### Annexure III

#### List of Restaurants Declared Approved, Arranged

##### City-wise—

Ahemdabad	: 1. Haumor Restaurant
	2. Kwaliti Restaurant
Agra	: 3. Kwaliti Caterers and Confectioners
Bangalore	: 4. Koshy's Jewel Box
	5. Kwaliti Restaurant
Baroda	: 6. Haumor Restaurant
Bombay	: 7. Alibaba Restaurant
	8. Berrys Restaurant
	9. Berrys Grill
	10. Bistro Restaurant
	11. Blue-Nile Restaurant
	12. Bombelli's Swiss Confectioners and Caterers
	13. Chinese Room, Kemps Corner
	14. Gay Lord Restaurants
	15. Gazebo Restaurant
	16. Gazebo Oriental
	17. Horse Shoe Cafeteria
	18. Khyber Restaurant
	19. Kwaliti Restaurant, Kemps Corner
	20. Kwaliti Restaurant, Colaba Causeway
	21. Kwaliti Restaurant, Worli
	22. Napoli Restaurant
	23. Pritam Restaurant
	24. The Talk of the Town (formerly the Parisian Dairy and Restaurant)
	5. Venice Restaurant

Calcutta	: 26. Volga Restaurant
	: 27. Amber Restaurant
	28. Bar-B-Q-The Sophisticated Grill Room
	29. Blue Fox Restaurant
	30. Firpo's Lido Room
	31. Kwaliti Restaurant, Park Street
	32. Magnolia (Restaurant)
	33. Mocambo Restaurant
	34. Moulin Rouge
	35. Olympia Restaurant
	36. Sky Room Restaurant
	37. Trineas Swiss Confectionery and Restaurant
Delhi/	
New Delhi	: 38. Embassy Restaurant
	39. Gaylord Restaurant
	40. Kwaliti Restaurant
	41. Laguna Restaurant
	42. Lido Restaurant
	43. Moti Mahal Restaurant
	44. Volga Restaurant
	45. Wengers Restaurant
	46. York Restaurant
Dehra Dun	: 47. Kwaliti Restaurant
Hyderabad/	
Secunderabad	: 48. Lido Bar and Restaurant, Secunderabad
Indore	: 49. Indore Coffee House
Jaipur	: 50. Niro's Restaurant
Jammu	: 51. Premier Restaurant and Bar
Jamshedpur	: 52. Kwaliti Restaurant
Lucknow	: 53. Kwaliti Restaurant
Madras	: 54. Kwaliti Restaurant
Nagpur	: 55. Kwaliti Restaurant
Ranchi	: 56. Kwaliti Restaurant
Srinagar	: 57. Broadway Kolanoi Bar and Restaurant
	58. Capri Bar and Restaurant
	59. Premier Restaurant and Bar



# COMMITTEE ON DEFECTIONS, 1967—REPORT

New Delhi, Ministry of Home Affairs, 1969. 54p.

**Chairman :** Shri Y.B. Chavan.  
**Members :** Shri Ram Subhag Singh; Shri P. Govinda Menon; Shri P. Venkatasubbaiah; Shri N.G. Ranga; Shri Bhupesh Gupta; Shri P. Ramamurti; Shri Madhu Limaye; Shri S.N. Dwivedi; Shri Balraj Madhok; Shri K. Anbazhagan; Shri N.C. Chatterjee; Shri Karni Singh; Shri Raghuvir Singh Shastri; Shri M.C. Setalwad; Shri Jaya Prakash Narayan; Shri H.N. Kunzru; Shri C.K. Daphtary; Shri Mohan Kumaramangalam.

## APPOINTMENT

Following the Fourth General Election, in the short period between March, 1967 and February, 1968, the Indian political scene was characterised by numerous instances of change of party allegiance by legislators in several States. Compared to roughly 542 cases in the entire period between the First and the Fourth General Election, at least 438 defections occurred in these 12 months alone. Among independents, 157 out of a total of 376 elected joined various parties in this period. That the lure of office played a dominant part in decisions of legislators to defect was obvious from the fact that out of 210 defecting legislators of the States of Bihar, Haryana, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh and West Bengal, 116 were included in the Councils of Ministers which they helped to bring into being by defections. The other disturbing features of this phenomenon were: multiple acts of defections by the same person or set of persons (Haryana affording a conspicuous example); few resignations of the membership of the legislature or explanations by individual defectors; indifference on the part of defectors to political proprieties, constituency preference or public opinion; and the belief held by the people and expressed in the press that corruption and bribery were behind some of these defections.

**Resolution in Parliament :** In this situation, it was natural for widespread concern to be voiced by leaders of opinion and the press all over the country for the preservation of political stability and safeguarding the interests of the people. What was most heartening was the feeling of deep concern over these unhealthy developments in national life on the part of the leaders of

political parties themselves. Parliament mirrored this widespread concern. On August 11, 1967, Shri P. Venkatasubbaiah moved a resolution in Lok Sabha recommending the setting up of a high level Committee to go into the problems and make recommendations. The resolution was discussed on November 24 and December 8, 1967, and in its final form as passed unanimously by the Lok Sabha on December 8, 1967, read as follows :

"This House is of opinion that a high-level Committee consisting of representatives of political parties and constitutional experts be set up immediately by Government to consider the problem of legislators changing their allegiance from one party to another and their frequent crossing of the floor in all its aspects and make recommendations in this regard."

## TERMS OF REFERENCE

(a) There can be no perfect or infallible deterrent for the kind of political defections that are rooted in political irresponsibility and opportunism and create instability, besides bringing the functioning of the democratic institutions into disrepute.

(b) The task of devising remedial measures for a complex political problem has to balance carefully the need for ensuring political stability with—

(i) The natural processes of organic growth of parties;

(ii) The inevitability of a period of transition preliminary to the forging of ideological polarisation or clarity, with uncertainties attendant on the transition; and

(iii) The avoidance of rigidity which would impinge adversely on honest and genuine dissent or change of convictions or on readjustment of party alignments, in the form of mergers, splits, etc., as part of the process of reaching ideological polarisation or clarity.

The best legislative or constitutional devices cannot succeed without a corresponding recognition on the part of political parties of the imperative necessity for a basic political morality and the observance by them to certain proprieties and decencies of public life, and their obligations mutually to one another and in the last analysis to the citizens of this country; and

(d) The problem requires to be attacked simultane-

ously on the political, educational and ethical planes so that by an intensive political education both of the elite and the masses, a full consciousness of the values of democratic way of life is created.

## CONTENTS

Introduction; Resolution in Parliament; Constitution of the Committee; Meetings of the Committee; Reference of the Legal and Constitutional Issues to the Lawyers Group; Meetings of the Lawyer Members; Considerations Placed Before Itself By the Committee in Drawing Up This Report; Recommendations: Ethical (A Code of Conduct For Political Parties); Political (Inculcation of a Clear Understanding of the Nature and Character of Representation and the Duties of an Elected Representative); Constitutional (Barring Appointment as Prime Minister/Chief Minister of a Person Who was not a Member of the Lower House; Barring the Appointment as Minister of a Defecting Legislator for a Prescribed Period or Until He Goes Back to the Electorate and Gets Re-elected; Limiting the Size of the Council of Ministers; Right of Dissolution Being Accorded to the Council of Ministers; Provision for Recall); Legislative (Disqualifying a Defector From Continuing to be a Member of Parliament/State Legislature, and, Additionally, on Proof of Acceptance of Gratification, Office of Profit, etc., Disqualifying Him From Being Chosen as a Member for Six Years; Registration of Political Parties; Notes and Minutes of Dissent Received From Members (Shri K. Anbazhagan; Prof. Bal Raj Madhok; Shri Bhupesh Gupta) (Definition; Recall; Right of Dissolution of the Assembly; Size of the Council of Ministers); (Shri S.N. Dwivedy; Shri H.N. Kunzru; Shri Madhu Limaye; Shri P. Ramamurti; Shri P. Venkata-subbiah; Appendix I to IV; Annexure I to IV (B).

## RECOMMENDATIONS

### Ethical

A Code of Conduct for Political Parties : The predominant view in the Committee has throughout been that regardless of the Legislative and Constitutional measures against political defections, a lasting solution to the problem can only come from the adherence by political parties to a Code of Conduct or set of conventions that took into account the fundamental proprieties and decencies that ought to govern the functioning of democratic institutions.

Adoption of such a Code will serve little purpose without a machinery or sanctions to ensure its observance. One suggestion placed before the Committee was that this could be achieved by having a Standing Committee or Board comprising leaders of political parties and men with legal background who were highly regarded in the Country for their experience of public

affairs, objectivity, integrity and political neutrality. Any political party which had a grievance against another for non-observance of the Code could take up the matter before the Board which, if the material before it was adequate, could convey its censure or disapproval which in due course would acquire moral sanction. When the Board censured a particular member for violating political proprieties, the political parties could be asked to ensure that he was kept out of public life for a prescribed period.

The Committee feels that the principle underlying this suggestion is sound, although the manner of giving it a concrete shape will have to be gone into in greater detail from the political as well as the practical point of view. As a first step, the Union Home Minister could perhaps write to all political parties and convene a meeting of their representatives. Beyond that the Committee does not think that there should be any official initiative in the matter; it should be left to the political parties themselves to arrive at a Code and to decide on the consumption of the Committee to observe its implementation by discussion among themselves.

### Political

Inculcation of a Clear Understanding of the Nature and Character of Representation and the Duties of an Elected Representative : The Committee considers that deriving from the theories and practice elsewhere (and, where necessary, even regardless of them) and the inherent requirements of the situation, a sign-post should be placed to guide the functioning of political organisations and representative institutions in this country. India has adopted the parliamentary system of Government, which is based on the party system. In practice it operates by one of the parties being assured of a majority support of its members entering as representative in the legislatures. Election is primarily a contest among parties to have their candidates returned by the electorate from as many constituencies as possible depending on their organisation and resources. For, this purpose, parties put up candidates who are bound to them by the very fact of sponsorship and by their allegiance to their programme. This tie and this allegiance is what confers predictability on the functioning of representative bodies. Without this predictability Governments formed by parties cannot be strong and stable. A representative, then, should be deemed to be bound to the party under whose aegis he wins an election.

### Constitutional,

(1) Barring Appointment as Prime Minister/Chief Minister of a Person who was not a Member of the Lower House : There was a strong current of opinion

at all stages of the discussion in the Committee that no one who was not initially a member of the Lower House should be appointed as Prime Minister/Chief Minister.

However, some members of the Committee brought up the possibility of certain contingencies arising in which serious difficulties might arise if a person who was a member of the Upper House or was not a member of either House, was debarred from being appointed as Prime Minister/Chief Minister. In view of these members' situations were also conceivable in which the entire opposition made a strong bid to get a leader of a party defeated in an election so that he did not succeed in becoming Prime Minister/Chief Minister, although the appointment of such a person would have been widely acceptable to the party and would have conducted to the stability of the Government.

After close and careful consideration of all aspects of the matter, the Committee recommends that no person who is not a member of the Lower House should be appointed Prime Minister/Chief Minister. It is advisable to make the constitutional amendment giving effect to this recommendation prospective so that if it does not affect the existing incumbents in office.

(2) Furring the Appointment as Minister of a Defecting a Prescribed Period or until he goes back to the Electorate and gets Re-elected : The Committee recommends that a defector should be debarred for a period of one year or till such time as he resigned his seat and got himself re-elected, from appointment to the office of a Minister (including Deputy Minister or Parliamentary Secretary) or Speaker or Deputy Speaker or any post carrying salaries or allowances to be paid from the consolidated Fund of India or of the State or from the funds of Government undertakings in the Public Sector in addition to these to which the defector might be entitled as a legislator. For the purpose of this recommendation the Committee is agreed on the following definition of a defector :

"An elected member of a legislature who had been allotted the reserved symbol of any political party can be said to have defected, if, after being elected as a member of either House of Parliament or of the Legislative Council or the Legislative Assembly of a State or Union Territory, he voluntarily renounces allegiance to, or association with such political party, provided his action is not in consequence of a decision of the party concerned."

A view was, however, expressed in the Committee that it was not enough to penalise individuals alone and there must be some provision whereby the parties which admitted defectors could also be penalised.\*

\*Shri Madhu Limaye's support to the prohibition against individual's was conditional on parties who admitted defectors also being penalised.

According to this view, if any recognised political party admitted a defector as defined above as a member or associate member into its legislative party, the recognition and the reserved symbol of that party should be withdrawn, at least for a period of two years. The consensus in the Committee was not in favour of accepting this view.

(3) Limiting the Size of the Council of Ministers : As Articles 75 and 164 of the constitution are at present worded there is no limit on the number of Ministers that the Prime Minister/Chief Minister may advise the President/ Governor to appoint to the Council of Ministers. In view of the significant part played by the offer or denial of Ministership in Political defections there was unanimous agreement in the Committee that limiting the size of the Council of Ministers might not only act as a damper on Potential defectors, but might enable the Prime Minister/Chief Minister to resist pressures which he might otherwise be unable to withstand. There was also agreement that the size of the Cabinet should have some relation to the size of the legislature.

The formula before the Committee was that the size of the Council of Ministers should not exceed 10 per cent of the strength of the Lower House in the Case of unicameral, and 11 per cent of the strength of the Lower House in the case of bicameral, legislatures; in regard to States and Union Territories where the strength of the legislature was below 100, the size of the Council could be fixed so as not to exceed 15 per cent of the strength of the Lower House.

The Chairman and six other members, namely; Sarvashri P. Govinda Menon, Ram Subhag Singh, M. C. Setalvad, N. C. Chatterjee, P. Venkatasubbiah, and Raghuvir Singh Shastri were in support of the formula.

Shri P. Ramamurti was of the view that the percentage should be reduced to 8-1/3 Shri Madhu Limaye's formula was one twelfth of the total elected strength of the Lower House (except for smaller States).

Five members, namely, Sarvashri N.G. Ranga, Balraj Madhok, Jaya Prakash Narayan, K. Anbazhagam and Madhu Limaye urged that in addition to the percentages, there should be a numerical ceiling of 50, so that the size of the Council of Ministers would be as in the formula, or 50, whichever was less.

Shri Bhupesh Gupta's proposal was that the size of the Council of Ministers should be 10 per cent of the Lower House or 30 whichever was less. If, however, the other members agreed to a numerical ceiling of 50, he was prepared to go along with them.

In the absence of agreement on the exact size of the Council of Ministers, the Committee has decided to present the different points of view as expressed by members so that they provide a useful basis for discussion in public and in Parliament.

(4) Right of Dissolution being Accorded to the Council of Ministers : On the merits of the proposal to accord the right of dissolution to the Council of Ministers, two distinct but opposite views were expressed in the meetings of the Committee with equal conviction. One view was that the power of dissolution would be a potent weapon in the hands of a Prime Minister/Chief Minister for enforcing party discipline, curbing opportunistic transfers of party allegiance and ensuring political stability. The other view was that the practice in other democracies based on Western Parliamentary model had itself varied from time to time and from situation to situation. According to this view, to insist on a fixity of interpretation of constitutional provisions in favour of the right to dissolution or even of making it explicit by amendment or convention, would, in a Country like India where conventions were still being developed mean depriving the growth of constitutional processes of dynamism and flexibility. Further, granting of this right might in effect be punishing the people by exposing a whole State to the turmoil of an election. In between dissolution and the new election, the administration would come to a virtual stop and huge expenses would be incurred.

In the face of these divergent views, the Committee does not consider it necessary to make any recommendation on a proposal which in its opinion is also not very germane to the problem of defections.

(5) Provision for Recall : Some of the Constitutions like those of Switzerland, Rumania, Czechoslovakia, USSR and some of the States of USA have a provision for removing a public functionary, including an elected representative, before the end of his term of office. On this analogy, a similar provision to be incorporated in our constitution was strongly advocated by some of the members of the Committee. The Committee as a whole, however, is not convinced that this provision would be advisable or practicable for this Country.

#### Legislative

(1) Disqualifying a Defector from Continuing to be a Member of Parliament State Legislature, and Additionally, on Proof of Acceptance of Gratification, Office of Profit etc., Disqualifying him from being Chosen as a Member for Six years : The Lawyers-Group in its report to the main Committee had advised that it was possible to provide by a special legislation or by way of amendment of the Representation of the People

Act that a legislator who renounces the membership of, or repudiates his allegiance to a political party on whose symbol he might have been elected, shall be disqualified from continuing as a Member of Parliament/State Legislature; he would, nevertheless, be free to stand for election again if he so wished, and to sit as a member in case he got elected. It was possible, in the view of the Group, to provide further that where a legislator defected for a pecuniary advantage or for an office of profit, he would be disqualified from being chosen as a Member of Parliament/State Legislature for a prescribed period. The group based this view on the argument that the procedure under Rule 5 of the Conduct of Election Rules, 1931, established a proximate and perceivable relationship between a political party recognised by the Election Commission under that rule for the purpose of allotment of reserved symbols and the candidate sponsored by that party.

Several members of the Committee raised important objections to the proposal made by the Lawyers-Group. Some of these objections were—

(a) While the Lawyers-Group had ruled out making defection a penal offence on the ground of existence of fundamental right under Article 19(1)(c) of the Constitution, they had advised that civil action in the form of disqualifying the defector from further membership was possible. The distinction sought to be made between the two actions in their relation to the fundamental right to form association was not clear and did not seem fully justified.

(b) Any new disqualification that might be imposed should be the genre mentioned in Articles 102 and 191. The proposed disqualification for defection was of an entirely different category and might not be in the spirit of the provisions of those articles.

(c) The proposal would have the effect of freezing the political parties in their present state and thereby hinder their organic growth which is an essential part of democratic process. In the present situation it would be harmful to do anything that would prevent polarisation of political forces; splits, mergers, amalgamations etc., were part of the process of ideological consolidation and they should not be interfered with.

The Committee could not arrive at an agreed conclusion on this proposal which, therefore, was dropped from consideration.

(2) Registration of Political Parties : This was one of the suggestions made at the meeting of the Committee. The Lawyers-Group took notice of it but did not feel called upon to go into its merits, as it felt that its relevance to the problem of defections was marginal.

The Committee agrees with this view and does not see any advantage in pursuing the suggestion further.

The Committee trusts that action on its recommendations will be taken as early as possible.

## Legal And Constitutional Aspects Of The Problem Of Defection

This paper deals with certain Legal and Constitutional aspects of the various remedies suggested in the Report on Defections prepared by the Ministry of Home Affairs for the use of the Committee. In order to appreciate the legal implications of the various proposals, it is necessary to set out in brief the constitutional provisions relating to the composition of Parliament and State Legislatures, qualifications and disqualifications of Members and other relevant provisions contained in the Representation of the People's Act, 1951.

### I. Parliament (Articles 79-83)

#### Article 79—Constitution of Parliament

There shall be a Parliament for the Union which shall consist of the President and two Houses—Council of States and the House of the People.

#### Article 80—Composition of the Council of States.

(1) The Council of States shall consist of—

(a) twelve members to be nominated by the President; and

(b) not more than two hundred and thirty-eight representatives of the State and of the Union territories.

#### Article 81—Composition of the House of the People

(1) The House of the People shall consist of—

(a) not more than five hundred members chosen by direct elections from territorial constituencies in the States, and

(b) not more than twenty-five members to represent the Union territories.

(2) (a) there shall be allotted to each State a number of seats in the House of the People in such manner that the ratio between that number and the population of the State is, so far as practicable, the same for all States; and

(b) each State shall be divided into territorial constituencies in such a manner that the ratio between the population of each constituency and the number of seats allotted to it is the same throughout the State.

#### Article 82—Readjustment after each census

Upon the completion of each census, the allocation of seats in the House of the People to the States and the Division of each State into territorial constituencies shall be readjusted by such authority and in such manner as Parliament may by law determine. (Delimitation of Parliamentary and Assembly Constituencies Order, 1961).

#### Article 83—Duration of House of Parliament

(1) The Council of States shall not be subject to dissolution, but as nearly as possible one-third of the members thereof shall retire as soon as may be on the expiration of every second year.

(2) The House of the People, unless sooner dissolved, shall continue for five years from the date appointed for its first meeting and no longer and the expiration of the said period of five years shall operate as a dissolution of the House.

The provisions relating to the composition of the State Legislatures are contained in Articles 168—172 and need not be quoted for our purpose.

### II. Universal Adult Suffrage And Abolition Of Special Privileges

Article 325—No person to be ineligible for inclusion in, or to claim to be included in a special electoral roll on grounds of religion, race, caste or sex.

There shall be one general electoral roll for every territorial Constituency for election to either House of Parliament or to the House or either House of the Legislature of a State and no person shall be ineligible for inclusion in any such roll or claim to be included in any special electoral roll for any such constituency on grounds only of religion, race, caste, sex or any of them.

Article 326—Elections to the House of the People and to the Legislative Assemblies of States to be on the basis of adult suffrage.

The elections to the House of the People and to the Legislative Assembly of every State shall be on the basis of adult suffrage; that is to say, every person who is a citizen of India and who is not less than twenty-one years of age and is not otherwise disqualified under this Constitution or any law made by the appropriate Legislature on the ground of non-residence, unsoundness of mind, crime or corrupt practice, shall be entitled to be registered as a voter at any such election.

Articles 330-334—Special provisions relating to certain classes

These Articles provide for reservations in favour of (1) Scheduled Castes, (2) Scheduled Tribes, and (3) Anglo-Indian Community for the period of 20 years.

### III. Constituencies And Their Delimitation

Article 327—Power of Parliament to make provision with respect to elections to Legislatures

Parliament may from time to time by law make provision with respect to all matters relating to, or in connection with, elections to either House of Parliament

from decision....A party makes vague aspirations articulate and effective. In this sense, its function is so valuable, so irreplaceable, that it is almost impossible to conceive of a democratic society without it".

Existence of the parties on the British model—one forming the Government of the day' and the other 'Opposition', a Government in waiting' exercising surveillance and ready to supplant—is no doubt an ideal to be aspired for smooth working of democracy. But such artificial division diversity of political, economic, social and cultural groups. In fact two-party system would not achieve truly representative character of Government or Legislature. Multiple-party system, both at the national and State levels, must, therefore, be accepted as a fact of political life at least during the formative stages of our democracy.

At the same time existence of stable and well-knit parties is indispensable for proper working of the Cabinet System of Government envisaged by the Constitution. Article 74 provides that there shall be a Council of Ministers to aid and advise the President in exercise of his functions. Under Article 75(3), "The Council of Ministers shall be collectively responsible to the House of the People." Council of Ministers enjoying the knit and disciplined party and equally well-organised opposition which can exercise effective surveillance and take over the responsibility to form alternative Government whenever necessary.

Evolution of such well-organised parties is a matter of political theory. Here we have to consider possible legislative measures which can prevent growth of small mushroom parties springing up only for election purposes, eliminate, as far as possible, floating 'independents' (who constitute a threat to stable Government and ensure that the powers and privileges of members of State Legislatures are not abused for personal gains.

Various measures examined below are :

(a) requiring political parties to register themselves on the basis of their aims and objects set out in the Declaration or Memorandum and Recognition of only such parties for the purpose of election as have membership of prescribed percentage of Electorate on the eve of elections,

(b) disqualifying members on defection from the party who had sponsored them,

(c) limitation on the size of the Council of Ministers and disqualifying defectors from appointment as Ministers,

(d) recall of defecting members,

(e) resignation on defection,

(f) making it an offence to accept pecuniary benefit or office of profit as consideration for defection,

Before considering these measures, it is necessary to examine various legal and constitutional provisions bearing on the subject of Political parties. A political party in the eye of law is an organised form for expression of opinion and, therefore, attracts the constitutional guarantees contained in Article 19 of the Constitution.

Article 19 Provides (to quote only relevant provisions) :

"19. Protection of certain rights regarding freedom of speech, etc. (1) All citizens shall have the right—

- (a) to freedom of speech and expression;
- (b) to assemble peaceably and without arms;
- (c) to form associations or unions;

(2) Nothing in sub-clause (a) of clause (1) shall affect the operation of any existing law, or prevent the State from making any Law, in so far as such law imposes reasonable restrictions on the exercise of the right conferred by the said sub-clause in the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality, or in relations to contempt of court, defamation or incitement to an offence.

(3) Nothing in sub-clause (b) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevents the State from making any law imposing, in the interests of the sovereignty and integrity conferred by the said sub-clause.

(4) Nothing in sub-clause (c) of the said clause shall affect the operation of any existing law in so far as it imposes, in the interests of the sovereignty and integrity of India or public order or morality, reasonable restrictions on the exercise of the right conferred by the said sub-clause.

The scope and content of great freedoms of speech, assembly and association have been expounded by Supreme Court of United States in a series of well known judgements. We may, however, refer to the latest decision in *Theodore R. Gibson Vs. Florida Legislative Investigation Committee* (272 U.S. 539) (Lawyer's Edition, page 929) delivered in 1963 which struck down a State law which required disclosure of membership and associations. The National Association for Advancement of Colored People-NAACP—refused to disclose their membership and the challenge was upheld by the Court.

Justice Goldberg delivering the principal judgement observed :

"This Court has repeatedly held that rights of association are within the ambit of the constitutional protections afforded by the First and Fourteenth

Amendments....The Respondent's Committee does not contend otherwise, nor could, it, for, as was said in *NAACP Vs. Alabama* (357 U.S. 460). 'It is beyond debate that freedom to engage in association for the advancement of beliefs and ideas is an inseparable aspect of the 'liberty' assured by the Due Process Clause of the Fourteenth Amendment, which embraces freedom of speech.' And it is equally clear that the guarantee encompasses protection of privacy of association in organizations such as that of which the petitioner is President; indeed, in both *Bates* and *Alabama Cases*, this Court held NAACP membership itself the very type here in question to be beyond the States' power of discovery in the circumstances there presented.

'Freedoms such as these are protected not only against heavy-handed frontal attack, but also from being stifled by more subtle governmental interference.'

'It is hardly a novel perception that compelled disclosure of affiliation with groups engaged in advocacy of unpopular ideas may constitute effective restraint on freedom of association.'

Justice Douglas who delivered the concurring judgement observed—

'Joining a lawful organization, like attending a church, is an associational activity that comes within the purview of the First Amendment, which provides in a relevant part. "Congress shall make no law . . . Abridging the freedom of speech, or of the press, or the right of the people, peaceably to assemble, and to petition the government for a redress of grievances."

'Peaceably to assemble' as used in the First Amendment necessarily involves a coming together, whether regularly or spasmodically. Historically the right to assemble was secondary to the right to petition, the latter being the primary right. But today, as the Court stated in *De Jonge Vs. Oregon*, 299 U.S. 353 :

'The right of peaceable assembly is a right cognate to those of free speech and free press and is equally fundamental.'

'Assembly, like speech, is indeed, essential 'in order to maintain the opportunity for free political discussion, to the end that government may be responsive to the will of the people and that changes, if desired may be obtained by peaceful means'. 'The holding of meetings for peaceable political action cannot be proscribed'. A free Society is made up of almost innumerable institutions through which views and opinions are expressed, opinion is mobilized and social, economic, religious, educational, and political programmes are formulated.

'In view, government is not only powerless to legislate with respect to membership in a lawful organi-

zation; it is also precluded from probing the intimacies of spiritual and intellectual relationships in the myriad of such societies and groups that exist in this country, regardless of the legislative purpose sought to be served.

"The right of association has become a part of the bundle of rights protected by the First Amendment . . . and the need for a pervasive right of privacy against governments intrusion has been recognized, though not always given the recognition it deserves. Unpopular groups like popular ones are protected. Unpopular groups if forced to disclose their membership lists may suffer reprisals or other forms of public hostility . . . But whether a group is popular or unpopular, the right of privacy implicit in the First Amendment creates an area which the Government may not enter.

"Freedom of religion and freedom of speech guaranteed by the First Amendment give more than the privilege to worship, to write, to speak as one chooses; they give freedom not to do nor to act as the government chooses. The First Amendment in its respect for the conscience of the individual hours the sanctity of thought and belief. To think as one chooses, to believe what one wishes are important aspects of the constitutional, right to be let alone."

"There is no other course consistent with the Free Society envisioned by the First Amendment. For the vies a citizen entertains, the beliefs he harbors, the utterances he makes, the ideology he embraces and the people he associates with are no concern of government. That article of faith marks indeed the main difference between the Free Society which we espouse and the dictatorships both on the Left and on the Right.

"As Mr. Justice Black said (dissenting) in *Barenblatt Vs. United States* (360 U.S. 150) :

"The fact is that once we allow any group which has some political ideas to be driven from the ballot and from the battle for men's minds because some of its members are bad and some of its tenets are illegal, no group is safe . . . It was knowledge of this fact, and of its great dangers, that caused the founders of our land to enact the First Amendment as a guarantee that neither Congress—nor the people would do anything to hinder or destroy the capacity of individuals and groups to seek converts and votes for any cause, however, radical or unpalatable their principle might seem under the accepted notions of the time."

"The Florida Court in this case said that a requirement of non-disclosure would provide an ideological asylum for those who would destroy by violence the very foundations upon which their governmental sanctuary stands.' But there is no showing here that the NAACP is engaged in any criminal activity of any

kind whatsoever . . . One man's privacy may not be invaded because of another's perversity. If the files of the NAACP can be ransacked because some Communists may have joined it, then all walls of privacy are broken down."

In the earlier decision in what is known as Flag Salutation Case—West Virginia State Board of Education Vs. Barnett (319 U.S.—624)—the Court struck down a regulation which provided for compulsory flag salutation ceremonies in public schools.

Justice Jackson observed :

"If there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics, nationalism, religion, or other matters of opinion or force citizens to confess by word or act their faith therein.

Struggles to coerce uniformity of sentiment in support of some end thought essential to their time and country have been waged by many good as well as by evil men. But good motives have not sufficed to prevent the loss of liberty. Even good men many resort to more and more severe measures when their initial efforts to attain a common faith do not succeed.

Those who begin coercive elimination of dissent soon find themselves exterminating dissenters. Compulsory unification of opinion achieves only the unanimity of the graveyard."

In Thomas Vs. Collins (323 U.S. 516), it is observed :

"As a matter of principle a requirement of registration in order to make a public speech would seem generally incompatible with the exercise of the rights of free speech and free assembly. If people cannot meet when they wish without risking the pains and penalties of forced registration, they are to that extent less free than they were before."

In effect, the Supreme Court of United States has held that any requirement as to licence or permit, registration of association, disclosure of membership constitutes a subtle invasion on the freedom of speech and association. Privacy of opinion and association is an essential ingredient of these freedoms. The earlier view, that if you want to join the school, become a member of the Police force or seek employment of the Government, you must conform to the reasonable requirements imposed for promoting national security, unity or patriotism, issue longer considered a good law.

Our Constitution guarantees freedom of association as a right distinct from freedom of speech and expression and the combination of these two rights would entitle every citizen to privacy of his membership or subscribers and sources of their funds would, therefore, violate the fundamental right of freedom of

speech, expression and association. In the United States invasion of this fundamental rights is permissible in exercise of police powers on the ground of overriding interest of the State. Under our constitution, restrictions can be imposed only on the ground set out in clauses (2), (3) and (4), namely, sovereignty and integrity of India, public order or morality (to quote only the relevant portion). It is not possible to justify the law of registration of political parties in the interest of the aforesaid objects. Parliament would, therefore, be incompetent to pass such a law, Article 13 (2).

It may, however, be argued that a right to stand for election is only a statutory right and, therefore, can be exercised only in conformity with the statute which may specify conditions and qualifications for the purpose including membership of a political party which is registered and recognised by Election Commission.

This view receives powerful support from the decision of the Supreme Court in *Jamuna Prasad Mukharjiya Vs. Lacchi Ram* (1955 S.C.R. 608) wherein the election was set aside on the ground of corrupt practice (e.g. appeal to vote on the basis of caste and defamatory statement calculated to prejudice prospects of election) prohibited by Sections 123 and 124 of the Representation of the People Act, 1951. Validity of these provisions was challenged as violative of the freedom of speech guaranteed by Article 19 (i) (a). Rejecting the contention, Justice Bose observed:

"These laws do not stop a man from speaking. They merely prescribe conditions which must be observed if he wants to enter Parliament. The right to stand as a candidate and contest an election is not a common law right. It is a special right created by statute and can only be exercised on the conditions laid down by the statute. The Fundamental Rights Chapter has no bearing on a right like this created by statute. The appellants have no fundamental right to be elected members parliament. If they want to exercise their right of free of speech outside these Rules, impugned sections do not stop them. We hold these sections are *intra vires*."

These observations echo the well-known statement of Justice Holmes, "The Petitioner may have a constitutional right to be a policeman". (*McAuliffe Vs. New Bedford* (1892) 155 Mass. 216) and followed by Supreme Court in *P. Balakotiah Vs. The Union of India* (1958 S.C.R. 1052) where the appellants' services were terminated because they were Communists and Trade Unionists. Upholding the termination, the Court observed:

"The orders do not prevent them from continuing to be Communists or Trade Unionists. Their rights in that behalf remain after the impugned orders precisely what they were before. . . The appellants have no doubt



a fundamental right to or associations under Art. 19 (1) (c), but they have no fundamental right to be continued in employment by the State, and when their services are terminated by the State they cannot complain of the infringement of any of their Constitutional rights, when no question of violation of Article 311 arises."

A complete departure, however, was made by the Supreme Court in the subsequent decisions in *Kameshwar Prasad vs. State of Bihar* (1962) S.C. 1166 and *O.K. Ghosh vs. E.X. Joseph* (A.I.R. 1963 S.C. 812) where a conduct rule prohibiting a Government servant from participating in any demonstration was struck down as infringing the fundamental rights of speech and assembly guaranteed by Article 19 (1) (a) and (b).

In *Kameshwar Prasad's* case, the Court held that a person does not lose his fundamental rights by joining Government service and observed:

"We consider that other classes of servants of Government (e.g., other than Police and Army) in common with other persons and other citizens of the country cannot be excluded from the protection of the rights guaranteed by Part III by reason merely of their being Government servants".

In *O.K. Ghosh's* case, the Court reiterated its earlier view and observed:

"It is not disputed that the fundamental rights guaranteed by Article 19 can be claimed by Government servants.. Thus the validity of the impugned rule has to be judged on the basis that the respondent and his co-employees are entitled to form association of unions. It is clear that Rule 4-B imposes a restriction on this right. It virtually compels a Government servant to withdraw his membership of the Service Association of Government servants as soon as recognition accorded to the said association is withdrawn or if, after the association is formed, no recognition is accorded to it within six months. In the existence of the recognition of the said association by the Government. . . That is the plain effect of impugned rule. Can this restriction be said to be in the interests of public order and can it be said be a reasonable restriction? In our opinion, the only answer to these questions could be in the negative."

Reference may also be made to the decision of the Supreme Court in *re-The Kerala Education Bill* which provided that Government grant in aid and recognition to an educational institution will not be given, unless it complies with certain conditions. It was contended on behalf of the Government that though Article 30 (1) confers on minorities a fundamental right to establish and administer institutions of their own choice, they have no right to get grant in aid—"If they desire or seek to obtain aid from the State, they must submit to the terms on which the State offer aid to all other

educational institutions established by other, people, just as a person will have to pay 15 nP. if he wants to buy a stamp for an inland letter." Rejecting this contention, the Court held that surrendering of fundamental right cannot be exacted as a price of aid doled out by the State. Similarly, as regards recognition of the schools, the Court observed:

"There is, no doubt, no such thing as fundamental right to recognition by the State but to deny recognition to the educational institutions except upon terms tantamount to the surrender of their constitutional right of administration of the educational institutions of rights under Art. 30 (1). We repeat that the legislative power is subject to the fundamental rights and the legislature power directly takes away or abridges the fundamental rights which it could not do directly. . . ." (In *re-The Kerala Education Bill, 1957*, Special Reference No. 1 of 1958—AIR 1958 Supreme Court 956).

Now let us examine various proposals against this background.

#### A. Registration Of Political Parties And Recognition For Election Purposes

Can such a provision be made by law? In the light of the principle set out above, it would appear that though there is no fundamental right to be elected as Member of Parliament, still the law, which requires that a person must be a member or sponsored by a registered political party which is recognised by Election Commission, would amount to infringement of his fundamental right of freedom of speech and expression and freedom of association (which includes a freedom not to be a member of an association). Such a restriction evidently is not within the permissible limits of clauses (2), (3) and (4) of Article 19, i.e., in the interest of "sovereignty and integrity of India, public order or morality".

Rule 5 of the Conduct of Election Rules, 1961 empowers the Election Commission to specify by notification the symbols that may be chosen by a candidate for election. The notification dated September 26, 1967, provides for reserved symbols assigned to recognised parties and free symbols to others. But this provision relates only to conduct of election to village in favour of recognised party and adopt the symbol reserved for that party would directly infringe the fundamental right of freedom of speech and association. Conferring power on the basis of prescribed percentage of membership will also be objectionable. Such a law, in pith and substance, directly affects freedoms guaranteed by clauses (a), (b) and (c) of Article 19 (1) and not merely relatable to conduct of elections.

It would thus appear that Parliament would not

be competent to make a law regarding compulsory registration of the parties or restricting the right to stand for election only if sponsored by the recognised party.

### B. Defection As Disqualification

Major difficulty is definition of "defection", "floor-crossing" or "carpet-crossing" in clear and precise terms. The next question is whether a law can provide that a member who has defected shall be disqualified from continuing to be a member. "Floor-crossing" is commonly used when a member leaves "Opposition Party" and joins "Treasury Bench". "Carpet crossing" is leaving one party and joining another Opposition or Coalition. The former type of defection is more frequent, but both types are equally objectionable. Moreover, law cannot make distinction between the two types, as it would be discriminatory under Article 14. Now what precisely is "defection"? Formal renunciation of one party and joining another is a clear case. But voting with different party or abstaining from vote on major issues have equally disastrous effect on stability of Government and the party. This matter will have to be examined carefully.

Article 102 (1) (c) and the corresponding Article 19 (1) (e) empower Parliament to make law providing for disqualification for being chosen as or for being Member of Parliament or State Legislature. The language of this provision is so wide that it would appear that Parliament can provide for any disqualification including defection. In the context of the preceding disqualification like holding an office of profit, unsound mind, undischarged solvent, voluntary acquisition of citizenship of a foreign State, etc., it would appear that the disqualifications contemplated, are those which are personal to the member. Sections 8—10A of the Representation of the People Act, 1951 also refer to personal disqualifications on the grounds of conviction for electoral and other offences, corrupt election practices, holding Government contracts, etc. These disqualifications refer to the personal misconduct, affect the suitability, honesty and integrity and are within the scope of Article 326 which permits disqualification from being a voter on the ground of "unsoundness of mind, crime or corrupt or illegal practice." These do not refer to his political beliefs or associations. If, however, the law purports to disqualify a member on the ground of defection or floor-crossing, it would infringe his fundamental right of freedom of speech, expression and association guaranteed by clauses (a) and (c) of Article 19 (1). Defection or floor-crossing, in substance, means dissociating from one party and associating with another party because of

difference of opinion—conscientious or otherwise. Constitution guarantees complete freedom of conscience in the matter of speech, opinion and association and as stated by Shri Seervai, "...the right to form an association carries with it the right not to form it, or the right not to be compelled to form or join an association" (Constitutional Law of India, page 340). Undoubtedly the law made by Parliament in exercise of its powers under Article 102 (1) (c) prescribing disqualifications for being a Member of Parliament is subject to the fundamental rights contained in Part III of the Constitution. The view, that there is no fundamental right to be a Member of Parliament and if one wants to continue, he must comply with the conditions laid down by such law, is untenable for the reasons discussed above.

### C. Limitations On The Size Of The Council Of Ministers

It is suggested that the defections are often inspired by the lure of the ministerial office and this lure will disappear if—

(a) the size of Council of Ministers is limited as in U.K. and

(b) the defectors are disqualified for the office.

In U.K. the House of Commons Disqualification Act, 1957 provides that not more than 70 Ministers shall be entitled to sit and vote in the House of Commons at any one time. If the number exceeds 70, the Ministers appointed after the occurrence of the excess are disqualified from sitting and voting.

It is possible to make a similar law prescribing the size of Council of Ministers, say one-tenth of the Lower House?

Article 74 (1) provides, "There shall be a Council of Ministers, with the Prime Minister at the head to aid and advise the President in the exercise of his functions". Article 75 (1) provides, "The Prime Minister shall be appointed by the President on the advice of the Prime Minister". The Constitution, therefore, in terms does not prescribe any limitation on the size of the Council of Ministers. Entry 75 of the Union List only refers to "...Salaries and allowance of the Ministers. Entry 75 of the Union List only refers it is, therefore, possible to take the view that as the Constitution is silent on the subject, Parliament is competent to prescribe the size of the Council of Ministers in exercise of its residuary powers under Article 248 read with Entry 97 of the Union List.

But this view cannot be said to be free from doubt. Under Article 245, powers of Parliament to make law are "subject to the provisions of this Constitution". Articles 74 and 75 do not contemplate any limit on the size of the Council of Minister to choose as many Ministers, he considers necessary for effective

discharge of his constitutional duties or as the situation demands. The President cannot refuse to appoint a Minister, on the ground that such appointment would exceed the statutory limit. That would be rejecting the advice of the Prime Minister which he is obliged by Constitution to accept. The question for consideration, therefore, is whether such a law would be repugnant to or inconsistent with the provisions of Articles 74 and 75. The test of repugnancy, laid down by the Courts, is—“things are inconsistent when they cannot stand together at the same time; the law is in—consistent with another law when the command or power or provision in the one law conflicts directly with the command or power or provision in the other, as when one Legislature says “do” and the other says “don’t” (Shayama Kant Vs. Ram Bhajan: 1939 For 193). This is called “test of obedience”—It is possible to obey both the laws? The law prescribing the size and qualifications of the Ministers may not be inconsistent with the express provisions of Articles 74 and 75, but the inconsistency arises as both the laws operate in a way a right conferred by the other, even though the right be one which might be waived or abandoned, without disobeying the statute which conferred the right.” (Zaverbhai Vs. State of Bombay: 1955 S.C.R. 799). The statute restricting the size of Council of Ministers would necessarily take away the right conferred by the Constitution on the Prime Minister to have the Council of the size of his own choice. It would also require the President to refuse to appoint a Minister if such appointment exceeds the prescribed limit. There is thus necessary inconsistency between the provisions of law and the Constitution, as both cannot be obeyed without infringing another.

Similarly, the Constitution does not prescribe any qualification for the Ministers other than being a Member of Parliament, except for a period of six consecutive months Article 75 (5). The law disqualifying a defector from being appointed as Minister would, therefore, be inconsistent with this provision.

It may also be mentioned that Parliament would not be competent to make such a law in respect of Ministers of State who are appointed by the Governor. The subject-matter falls within the State field. There is no residuary power in the State Legislature corresponding to Article 248 and Entry 97 of the Union List. It is, therefore, doubtful whether the State Legislature can make a law in this respect.

#### D. Recall

The political theory relating to the doctrine of ‘Recall’ of a Member of Legislature has been examined in the paper of the Ministry of Home Affairs. Any provision for Recall of the Member,

however, will have to be made only by amendment of the Constitution, as under Article 83, a Member of the Council of States retires by rotation every two years and the Member of the House of the People on dissolution after five years.

#### E. Resignation

In Negeria, political parties have devised the scheme of obtaining undated letters of resignation from the candidates, authorising the Leader to place them in the hand of the Speaker in case the Member of Parliament crosses the floor. Can this method be adopted in India?

Under Article 101 (3) (b), “if a Member of either House of Parliament resigns his seat by writing under his hand addressed to the Chairmen of the Speaker, as the case may be, his seat shall thereupon become vacant”. The resignation, therefore, becomes effective only when it is delivered or transmitted (through duly authorised agent) by the member and keeps it in his drawer, it is not effective. It would be open to the Member if he has handed over undated resignation to the Leader of the Party to counter and the same by intimating the Chairman or the Speaker that it should be treated as cancelled or the authority given by him to the Leader is revoked.

In *Thavkamma Vs. Speaker* (1952 Travancore—Cochin 161) Travancore High Court has held that the resignation under this provision must be a voluntary act of the Member and the Civil Court has jurisdiction to enquire whether the letter of resignation was void on the ground that it was forged or obtained by force or fraud and direct the Speaker to allow the Member to take his seat upon declaration that he has not lost his seat by the alleged resignation. On the same ground the Court can also declare that the advance resignation has become or by virtue of its withdrawal and revocation of power granted by him to the Leader.

#### F. Offence Of Illegal Gratification As Consideration For Refection

Offer and adoptance of gratification in the form of pecuniary advantage or office or profit as consideration for defection can be made an offence in exercise of Parliament power of “Criminal Law” under Entry 1 of the Concurrent List. Creation of such an offence would have considerable moral and deterrent effect. There would no doubt be difficulty of establishing the offences in court of law, but this is common in the cases of all offences of corruption. The offence can be introduced in the Indian Penal Code or the Prevention of Corruption Act, 1947 and made cognizable Parliamentary legislation and would cover both Members of Parliament and State Legislatures, party

members and independents. Illegal gratification is universally recognised as *mala fide interse* and no question of infringement of fundamental right arises. Conviction of a member would automatically entail disqualification. This offence would prove to be the most effective weapon to curb defections for personal aggrandisement and go a long way to destroying the root cause of defection which has infected political life of the country. Additional advantage is its deterrent effect. Open offers of money bags and offices of profit have defiled the image of democracy in public life. This damage is much more serious than the current upheaval which may well be only a transitory phenomenon.

I may conclude by quoting the remarks of Sir Hartley Shawcross (*The Experience of Nation States*, 54 Columbia Law Rev. 734)—

“The true hope of safeguarding democratic institutions against sub-version lies in perfecting those institutions, rather than in toying with totalitarian style weapons. Indeed I would think our experience has suggested that while it is possible to buy a little temporary safety by giving up some liberty, the transaction is often one which in the end leaves neither safety nor liberty.”

#### A Discussion Of Some Of The Issues Connected With Dissolution Of Sessions Of Parliament/State Legislature

1. **Consensus in the Committee on Defections :** At the second meeting of the Committee on Defections held on April 18, 1968, all members were agreed on giving the right of dissolution to the Council of Ministers by convention. This right should be available to the Council of Ministers, even if it is defeated or is threatened with defeat in the lower House. It would be in conformity with the wording of the relevant provisions of the Constitution and also politically sound to recognise this right as that of the Council of Ministers rather than of the Head of the Government. In order, however, that the right may not be abused, leading to frequent dissolutions, the Governor should be free to refuse dissolution if there had been an election, following an earlier dissolution within a year.

2. **Constitutional Provisions :** Articles 85 and 174 merely provide that the President/Governor may from time to time dissolve the House of the People/Legislative Assembly. At the time this clause came up for consideration in the Constituent Assembly, Professor K.T. Shah moved an amendment that dissolution should be on the advice of the Prime Minister/Chief Minister, if it is resorted to earlier than the completion of the normal term of the House, and the reasons for such dissolution should be recorded by the Prime Minister in writing. Dr. Ambedkar rejected this

amendment and declared that the President would dissolve the House generally on the advice of the Prime Minister and no special purpose would be served by asking the Prime Minister to record his reasons for the advice. He added—

“The President will test the feelings of the House whether the house agrees that there should be dissolution or whether the affairs should be carried on with some other leader without dissolution. If he finds that the feeling was that there was no other alternative except dissolution, he would, as a constitutional President, unambiguously accept the advice of the Prime Minister to dissolve the House. There are...ways for the President to test the feelings of the House and to find out whether the Prime Minister was asking for dissolution of the House for bona fide reasons or for purely party purposes. I think we could trust the President to take a correct decision between the party leader and the House as a whole.”

Thus Dr. Ambedkar subscribed to the doctrine that the President/Governor had residual discretion in the matter of granting dissolution when asked for by the Prime Minister/Chief Minister.

3. **Provision in other Constitutions :** The American President has no power to prorogue or dissolve the Congress. Under the American Constitution, the House can only adjourn and it cannot be dissolved at all before its constitutional term of two years. In Great Britain, the powers to prorogue and dissolve are exercised by the King on ministerial advice. The Australian Constitution empowers the Governor-General to prorogue the Parliament and dissolve the House of Representatives from time to time by proclamation or otherwise. The power to dissolve the House sooner than its normal term office years is provided in Canada. The Irish Constitution explicitly says—

“Dail Eireann shall be summoned and dissolved by the President on the advice of the Taoiseach. The President may in his absolute discretion refuse to dissolve Dail Eireann on the advice of the Taoiseach who has ceased to retain the support of the majority in Dail Eireann.”

The President of the French Republic may, after consultation with the Premier and the Presidents of the Assemblies, declare the dissolution of the Assembly. General Elections are to take place not less than 40 days and not more than 40 days after the dissolution. There can be no further dissolution within a year following the election. The Japanese Constitution provides for a General Election within 20 days from the date of dissolution and summoning of the Diet within 30 days from the date of Election.

4. **Operation of the Constitutional Provision in Practice :** There are precedents in Commonwealth

countries, namely, Australia and Canada, where the Governor-General or the Governors had acted in their discretion in regard to dissolution. These cases are over 30 years old and were the subject of adverse criticism by authorities on Parliamentary Government. In U.K. long historical evolution has established that the Monarch does not dissolve without the advice of his Ministers, that such advice is now invariably tendered by the Prime Minister and that the advice of the Prime Minister is not rejected by the Monarch, however, unwise the advice might be and whatever reservations there may be about the Monarch's discretionary powers as a matter of constitutional theory. Under our own Constitution, there has been one instance in Travancore-Cochin in 1953 where the Governor had accepted the advice of the Chief Minister to dissolve the Assembly and another in the same State in 1955 in which the Governor did not dissolve the Assembly when asked for by the Chief Minister; instead he invited the leader of the Opposition to form the Ministry contrary to the advice of the defeated Chief Minister.

5. Recommended course of action in Reconciliation of Opinion on Subject : Even where the Council of Ministers is vested with the right to seek dissolution, there could be certain hypothetical situations which call for some comment. One such situation would be when there is a difference of opinion within the Council itself on the availability of asking for dissolution : in this case, naturally the majority view will prevail. There could also be a situation where the majority disfavours it, the Prime Minister/Chief Minister finds himself in the minority disavowing it, the Prime Minister/Chief Minister finds himself in the minority favouring the proposal to ask for dissolution. In this case, the Prime Minister/Chief Minister might ask for the resignations of his dissenting colleagues, or he might advise the President/Governor to dismiss them if such resignations were not forthcoming, and still have his way. However, all considered, whenever it asks for it, is a practice that will be in conformity with sound constitutional principles and political requirements of an effective Parliamentary system.

6. Follow-up Measures : In the Indian context, it may not be advisable to let a Council of Ministers which had lost majority in the House, to function as a caretaker Ministry during the interval between dissolution and a fresh election. Imposition of President's

rule during this period would ensure that not only is the fresh election free and fair but that it is recognised to be so.

Other Constitutions have explicitly provided that General Elections ought to take place within a prescribed period after dissolution. For instance, as mentioned earlier, the Constitution of the Fifth French Republic requires General Elections to take place not less than 20 days and not more than 40 days after dissolution. It also provides that there can be no further dissolution within a year following the election. The Japanese Constitution provides for a General Election within 40 days from the date of dissolution, and summoning of the Diet within 30 days from the date of election.

It is essential that the obligation to hold a General Election within a prescribed period goes hand in hand with the right to have dissolution. The pre-condition of course is that the system of revision of electoral rolls is so improved that notice of fresh election could issue within a few weeks of dissolution. The law previously was that there should be an annual revision of the rolls. This was subsequently changed and the present legal requirement is that there should be a revision of the rolls before every by-election, or General Election (including mid-term election) unless for reasons to be recorded in writing the Election Commission dispenses with such a revision. One of the acceptable reasons for doing so may be the fact of a revision that might have been undertaken for an election that was held two or three months earlier. In the Election Commission's view, a period of three to four months is required even for a summary revision of the electoral including a minimum period of one month to be allowed under the law for receipt of claims and objections after the publication of existing rolls. Intensive revision of the electoral rolls, which means house to house enquiries, taken a minimum period of 8 to 9 months. The Commission, however, has discretion to order one or the other depending on circumstances (for instance, if the last intensive revision was more than two or three years earlier, the Commission might consider a summary revision sufficient). Taking into account the provisions in other Constitution and the preparations involved, holding the election within 90 days of the dissolution would seem to satisfy consideration of propriety and feasibility, subject to any marginal adjustment that might be called for by changing conditions.

# STUDY TEAM ON INVOLVEMENT OF COMMUNITY DEVELOPMENT AGENCY AND PANCHAYATI RAJ INSTITUTIONS IN THE IMPLEMENTATION OF BASIC LAND REFORM MEASURES, 1967—REPORT

New Delhi, Ministry of Food, Agriculture, Community Development and Cooperation (Department of Community Development), 1969. 42p.

Chairman : Shri V. Ramanathan.

Members : Shri P.S. Bapna (resigned replaced by Shri G.V.K. Rao); Shri M.D. Rajpal; Shri A.K. Dutt; Shri V. Nataranian (retired replaced by Shri G. Thirumal); Shri Saran Singh.

Secretary : Dr. N.A. Agha.

## APPOINTMENT

The question of effective Involvement of Community Development Agency in the implementation of basic land reform measures has been under the consideration of the Government of India for sometime past. It is now proposed to undertake a detailed study of the role of the Panchayati Raj Institutions and the Community Development Agencies in the basic land reform measures. Allied to this is the question of organisation of rural tenantry, who are the most affected during the process of implementation of various land reform measures, into an informed and articulate group. According, the Government of India have decided to set up a Committee to go into this question and make detailed recommendations on the subject vide the Resolution No. 5/1/67-PR dated December 20, 1967 of the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Community Development).

## TERMS OF REFERENCE

(a) How far and in what manner the Panchayati Raj Institutions or Community Development Agency can contribute towards the accurate maintenance of rights and detections and reparation of mala fide transfer of land and the like ?

(b) Will the responsibility to be given to the Panchayati Raj Institutions or the Community Development Agency be of purely advisory nature or whether any statutory functions in land reforms can be passed on to these agencies and if so what functions should be entrusted to them ?

(c) Is it possible and also desirable to administra-

tively organise the rural tenantry, who are likely to be victimised as a result of land reform measures by vested interests, into informed and articulative interest groups ?

(d) If it is advised that rural tenantry groups can and shall be formed into informed and articulate interest-groups, what will be the type of organisation and how will it fit into or detract from the idea of Panchayati Raj ?

## CONTENTS

Introductory; Background; Role of Panchayati Raj Institutions and Community Development Agency in Maintenance of Land Records; Association of Panchayati Raj Institutions and Community Development Agency with the Implementation of other Aspects of Land Reforms; Organisation of Rural Tenantry; Summary of Recommendations and Suggestions; Appendices I to IV.

## RECOMMENDATIONS

Role Of Panchayati Raj Institutions And Community Development Agency In Maintenance Of Land Records

Panchayats can be associated with the work relating to attestation of mutations etc. in an advisory capacity. A notice inviting objections to the proposed mutations may be published at the village Panchayat Office, and the suggestions of the Panchayat invited. When the mutations are attested, the result of the mutations so attested may also be communicated to Panchayats.

Panchayats can serve as medium to pass information from authorities to the people and vice versa. The Panchayats cannot maintain Land Records, as this process requires training and knowledge of revenue laws, and the Panchayat personnel do not have such knowhow.

To ensure that the records are corrected by the village officers (Patwaries) in accordance with the requirements, Panchayats with their intimate contact with people can play a useful role. Between Government

and the public, the role of Panchayat as a disseminator and procurer of information will be of immense advantage; however, no statutory responsibilities may be developed on Panchayats in their present stage of development.

The list of proposed mutations, besides being published at village Chawadi, may also be published at Panchayat Office and objections invited. Panchayat is gradually becoming a public information centre and their publication in a Panchayat forum may be useful.

Panchayats may be associated with the annual revision of revenue records. For this purpose.

(i) A provision may be made for furnishing a copy of the annual record as verified by Circle Inspector to Village Panchayat as also the copy of each of the mutations within a specified period from the commencement of agricultural year.

(ii) A provision may be made enabling any member of Panchayat to communicate to Tehsildar, within a specified time limit, any suggestion for modification in regard to the entries made in the records.

The above provisions may not be statutory, but may be made by issue of executive instructions, by the State Governments..

The Panchayats can serve as an important source of general information and to elicit public opinion in matters relating to attestation of mutations on lands. The revenue authorities should give due consideration to the suggestions made by Panchayats in this regard. Where Panchayats are faction ridden, the revenue authority should deal with the cases in its own discretion.

Some States like Bihar, Orissa and West Bengal which had long been under permanent settlements, do not have adequate Revenue Administration at village level. In these areas Panchayats too do not have experience or training in revenue matters and cannot, therefore, be entrusted with regulatory or statutory functions in regard to Land Records. The Panchayats in these States can, however, be of immense assistance as an informative agency to Tehsildars or S.D.Os. who continue to maintain Land Records.

It is urgently necessary in States like West Bengal, Bihar and Orissa to set up villages level revenue administration on the pattern of Raytwari States. Unless this is done expeditiously the changes that occur in Record of Rights and the manner in which various interests in land are affected from year to year, cannot get reflected in the Records.

In Hill areas of West Bengal where there is no basic revenue administration, transfers in Land are effected by the Deputy Commissioner. The people generally expressed their satisfaction with the existing arrangements. However, in areas where there is no basic reve-

nue administration the Panchayat can hardly be a substitute to maintain records. The prime need of these areas is to set up basic revenue administration first; once such administration is set up the association of Panchayats with revenue administration will be a natural corollary.

#### Association Of Panchayati Raj Institutions And Community Development Agency With The Implementation Of Land Reforms

While it will be useful to associate Panchayati Raj bodies with the implementation of various land reform measures, such association need not be statutory. The Government may provide for their association through issue of executive instructions.

With a view to ensuring purposeful association of Panchayats in implementation of Land Reform measures, a watch-dog functional Sub-Committee on Land Reform may be formed. This Sub-Committee will look after such items of land reforms which impinge on the interests of water sections. The composition of such Committee could be laid down by the Government and an Officer of Revenue Department could be represented on this Committee.

All other general matters of common interest connected with the maintenance of land records or implementation of specific aspects of land reforms should be the concern of the whole Panchayat body.

Each and every admission or surrender of tenancy may be intimated to Panchayat under executive instructions. As this matter involves the right of weaker sections of community, this will fall within the sphere of the functional Sub-Committee of Panchayat.

It would not be appropriate to involve either the Panchayat or its Committee into problems requiring adjudication on technical issues, such as the Landlord's right of resumption, regulation of rent etc. Where maximum rent is a multiple of land revenue, the functional Sub-Committee on Land Reforms of Panchayat should be required to fix a chart in a prominent place indicating the maximum rent payable for main categories of land in the village, in accordance with law.

In determination and location of surplus lands arising out of imposition of ceilings legislation, the functional Sub-Committee of the Panchayat on Land Reforms should be consulted, and its recommendations generally accepted.

The functional Sub-Committee of Panchayat may be enabled to intimate to the Tehsildar or other appropriate authority, any information regarding benami transaction or other evasion of ceiling laws.

The Sub-Committee on Land Reforms should be associated with the allotment of surplus land. The

Sub-Committee may also maintain a list of applicants of landless agricultural labourers and other eligible persons for assignment of land.

Allotment of fallow and other lands vested in the Government should also be made on the recommendations of the Sub-Committee on Land Reforms of Panchayat.

Sub-Committee on Land Reforms of Panchayats should be associated with the work relating to consolidation of holdings.

Efficient farm management and observance of standard of cultivation by each cultivator should be the concern of whole Panchayat.

#### Organisation Of Rural Tenantry

If rural tenantry are organised into interest groups, it is likely to increase factions in villages; it might also prove hostile to the existing machinery which is maintaining Land Records. Further in States where Panchayats are themselves an articulate group and representative of various sections of village community the organisation of rural tenantry is unnecessary.

If rural tenantry are administratively organised into articulate interest groups it would needlessly expose the administration to avoidable conflicts with political parties and other peasant organisations which are trying to muster support amongst the rural tenantry in various

ways.

In Indian conditions, the question of organisation of rural tenantry into informed and articulate interest groups has to be viewed in the context of what is possible to achieve through Panchayati Raj Institutions. These institutions, being popularly elected are in fact quite helpful in many States, in promoting a wider understanding of the existing problems of tenants. The need for setting up a separate platform or forum for articulating tenants interests, parallel to Panchayati Raj bodies is not considered necessary.

It is unnecessary to organise the tenants into formal and articulate groups through administrative action. However, before entrusting even advisory functions in the matter of implementation of Land Reforms to Panchayati Raj Institutions, effective and adequate representation of weaker sections of the community on these bodies has to be ensured.

One of the basic problems that deserves immediate attention relates to educating the tenants, more specially those belonging to weaker sections of rights that have devolved on them consequent on implementation of Land Reform measures. Arrangements and machinery for this purpose already exist in several States. These arrangements have to be strengthened and made effective.

## NATIONAL COMMISSION ON LABOUR, WORKING GROUP ON LABOUR ADMINISTRATION (NORTHERN REGION), 1967—REPORT

Delhi, Manager of Publications, 1969. 157p.

- Chairman :** Shri Dashrath Singh (replaced Shri J.N. Tiwari).  
**Members :** Shri N.N. Vohra (replaced Shri P.L. Sondhi); Shri D.D. Sharma (replaced Shri S.K. Misra); Shri S.Y. Andrabi; Shri P.K. Mittoo; Shri S.C. Vajpei.  
**Member Secretary :** Shri T.C. Jain.

#### APPOINTMENT

The National Commission on Labour constituted

the Regional Working Group on Labour Administration (Northern Region) for the Areas covered by the States of Uttar Pradesh, Punjab, Haryana, Rajasthan, Jammu and Kashmir and Union Territories of Himachal Pradesh and Delhi Administration Vide its Memorandum No. 3 (49) 1/67-NCL dated December 28, 1967.

#### TERMS OF REFERENCE

To analyse available information and project its thinking on Labour Administration for the years to come



taking into account the possible changes in the economy of the country.

## CONTENTS

Foreword; Introduction; Special Features of the Region; Role of Labour Administration; Labour Laws and Their Enforcement; Pattern of Labour Administration; Conciliation Machinery; Special Problems of Labour Administration; Acknowledgements, Summary of Conclusions and Recommendations; Appendices from I to VII.

## RECOMMENDATIONS

### Role of Labour Administration

1. The task of the Labour Administrator in an industrial democracy is not merely to see the compliance with the legal provisions under the various Acts. It is more to create the necessary atmosphere in which the obligations and responsibilities under laws are understood and accepted and to create the necessary consciousness for the observance of these provisions.

2. The object of the labour administration is to provide a just, efficient and adequate machinery for implementation of the provisions of the labour laws. The machinery for labour administration has necessarily to be geared up to meet new challenges emerging from the growing consciousness.

### Labour Laws And Their Enforcement

3. For the sake of uniformity, the Government of India should take an early decision to apply the Central Labour Laws to the State of Jammu and Kashmir.

4. The Chief Inspector of Factories should be a technical whole-time functionary. He should remain under the administrative control of the Labour Commissioner, though he may function independently so far as the technical matters are concerned.

5. In accordance with the recommendations of the Labour Minister's Conference held in 1960, for every 150 factories, there should be one Inspector of Factories.

6. Each State should increase the strength of the Factories Inspectorate adequately to be commensurate at least with the amount realized from registration fee from the factories.

7. It would not be proper to give powers of Additional Inspector of Factories to the Conciliation Officers.

8. There should be a Labour Judicial Service which will not only work as adjudication machinery in industrial disputes, but may also be empowered to do magisterial work in hearing prosecution cases

under various labour laws. Till then, each State can appoint special magistrates to hear cases of prosecutions under the labour laws.

9. The workers engaged in the pre-production and erection stage in a factory, should also get the benefit of the provisions of the Factories Act. A separate legislation for workers engaged in construction work and scaffolding, should be considered by the Central Government.

10. The work of inspection of boilers should be under the administrative control of the Labour Department in all States.

11. Registration of shops and commercial establishments should be provided under the Shops and Commercial Establishments Act and a small registration fee may be charged from their owners.

12. The enforcement of the Shops and Commercial Establishments Act should be under the administrative control of the Labour Department in all States.

13. For proper enforcement of Shops and Commercial Establishments Act, each State should have adequate machinery. Special magistrates should be appointed to hear and decide cases under the Act preferably on the spot. Penalties imposed should be more deterrent. Minimum penalty should be provided for breach of important provisions under the Act.

14. Practice of giving exemptions under the Shops and Commercial Establishment Act should be uniform throughout the States in this Region.

15. It would be desirable if the Government of India for the sake of uniformity brings a Central Shops and Commercial Establishments Act and the State Governments may be allowed to have suitable modifications, where considered necessary in its application to each-State.

16. All towns and cities which are notified as town areas or municipal areas should be covered under the Shops and Commercial Establishments Act.

17. The enforcement of the Bidi and Cigar (Conditions of Employment) Act, 1956 should be entrusted to the non-technical Inspectors rather than the Inspectorate of Factories.

18. The powers of enforcement of the non-technical provisions of the Mines Act may be delegated to the welfare staff employed in the States.

19. Inspectors may be appointed under the Trade Unions Act and invested with powers to check malpractices in the working of trade unions.

20. The Trade Unions Act should be amended so as to provide for the settlement of disputes of intra-union rivalry by the Labour Court.

21. The law should provide for a common set of

standing orders applicable to all types of establishments covered under the Industrial Employment (Standing Orders) Act. If any modification is desired, the parties may approach the Certifying Officer for its approval.

22. The Industrial Employment (Standing Orders) Act, 1946 should be amended to provide for the Inspectors to enquire into the complaints regarding non-observance of the certified standing orders.

23. Inspectors of Factories, being technical persons and already saddled with heavy work, are not generally able to carry out the inspections under the Payment of Wages Act comprehensively or to enquire into complaints regarding delay in payment or non-payment of wages etc. The field staff of the Labour Department i.e., Labour Inspectors, should be appointed Inspectors under this Act.

24. Senior Officers of the Labour Department, not below the status of the Assistant Labour Commissioners, may be appointed as Authority under the Payment of Wages Act and the Minimum Wages Act.

25. Senior Officers of the Labour Department should be vested with powers to issue certificates for recovery of wages and the minimum bonus of 4 per cent under the Payment of Wages Act.

26. Enforcement of the Minimum Wages Act suffers due to inadequate staff, over-burdening of the existing machinery, lack of transport facilities to them.

27. There is need to simplify the forms and registers to be maintained under the Minimum Wages Act.

28. Labour Department should remain responsible for the enforcement of the Minimum Wages Act in agricultural employments, but assistance may be taken from the Agriculture Revenue, Social Welfare and Community Development Departments.

29. Since the enforcement of the Act in agriculture in all units will be difficult, a start may be made by enforcement of the Minimum Wages Act in agriculture on the farms of 20 standard acres or more.

30. The State Government should have powers to de-notify an employment from the schedule under the Minimum Wages Act.

31. For the proper enforcement of the Minimum Wages Act, Minimum Wages should be fixed category-wise separately for skilled, semi-skilled and un-skilled workers and all occupations included in each category should also be clearly defined.

32. The Minimum Wages Act should be amended so as to provide for minimum penalty for offences under the Act.

33. Inspecting staff under the Act should be given

proper training to prepare and conduct cases in the Law Courts or separate Prosecuting Inspector may be appointed to argue the cases before the courts.

34. Senior Officer of the Labour Department, not below the rank of Assistant Labour Commissioners with at least seven years' experience in the Department, may be given powers of Workmen's Compensation Commissioner.

35. Labour Inspectors or other Officers may be specified by the Government to appear before the Workmen's Compensation Commissioner on behalf of the claimant.

36. Inspectors appointed under the Payment of Bonus Act should be given proper training particularly in respect of the examination of the balance sheets, profit and loss accounts for purpose of calculation of available surplus according to the Act.

37. Powers can be delegated to the Labour Commissioner or other Senior Officers of the Department to extend the prescribed period of eight months for payment of bonus.

38. Labour legislation being mostly social in character should develop its sanctions through the process of social education. Persuasive methods may sometime yield better results than a repressive policy of prosecutions and harassment.

39. Information obtain regarding withdrawal of prosecution cases reveals very few such cases and cannot be regarded as example of vacillating policy of the Government in case of prosecutions.

40. Industrial disputes pertaining to mines should be brought under the purview of the State Government. Disputes regarding banks (Except those working under the State Bank of India or the Reserve Bank of India) should also be brought under the purview of the State Government.

41. The industrial disputes pertaining to the industries under the management of the Central Government or Corporation set up by the Central Government, even if its units are situated more than one State, should be under the State sphere, where the unit is situated.

#### Pattern Of Labour Administration

42. The post of Labour Commissioner is usually filled by an I.A.S. Officer. However, wherever a qualified, suitable and experienced departmental officer is available, he should be equally considered for appointment as Labour Commissioner. The tenure of the office of the Labour Commissioner from I.A.S. should not be less than three years and may go upto five years.

43. Wherever, law permits delegation of powers, such delegation may be made by the State Government

in favour of Labour Commissioner and other senior officers of the Labour Department. Such officers may also be invested with appropriate secretarial status to enable them to function expeditiously and effectively.

44. *The role of the Labour Department is not fully appreciated by other Government Departments and they do not take kindly to the observations of the Labour Department regarding their deviation from the provisions of labour laws.*

45. Even if the Labour Commissioner is to be an I.A.S. Officer, other posts in the Labour Department should normally be filled in by officers of the Department itself.

46. The pay-scales of the various categories of posts in the Labour Departments in the Region indicate a wide disparity from State to State. The pay-scales are not at all commensurate with the responsibilities entrusted to the officers.

47. The Labour Inspector, Wages Inspector/Minimum Wages Inspector etc., should be designated as the "Labour Enforcement Officer".

48. There is no need to change the nomenclature of the Labour Department.

49. Statistics and Research Section should form an integral part of the Labour Department and the staff employed in this Section should enjoy the same status as the enforcement staff and should also be eligible for promotion to higher posts in the Department.

50. Labour Journal should be published by the Labour Department in each State to afford adequate publicity to its work and also for disseminating useful information.

51. The Central Government should share 60 per cent of the expenditure on the staff appointed to administer the labour laws enacted by the Central Government.

52. An All-India Labour Service of Specialized Officers, who are fully equipped to deal with the various facets of labour administration, should be created on the lines of other All-India Services.

53. Administration of Labour Welfare should also be given proper attention. The officers recruited in the department may preferably be asked to work on the welfare side for at least 2 to 3 years.

54. Conditions of migratory labour and the steps which may be taken to improve their lot should be examined in more details jointly by officers of the States, where such problem exists.

55. Frequent meetings and exchange of views between the officers of the various States will undoubtedly help in toning up the standard of administration and proper enforcement of laws. Such

exchange of views should be held regularly between the officers of the Labour Departments of the various States, both at the regional level and also at all-India level.

56. Common training programmes and regional seminars can be useful in improving the quality of officers and improvement in their knowledge.

### **Conciliation Machinery**

57. The Conciliation Officer plays an important role in industrial relations.

58. A Conciliation Officer must possess personal qualities of tact, impartiality and a genuine desire to induce the parties to settle their difficulties.

59. Knowledge of the Conciliation Officer may be improved through training and by providing him educational opportunities for improving his skill in human relations and other fields of interest. He should be attached with senior Conciliation Officer to gain first-hand knowledge in the art of conciliation.

60. The Conciliation Officer should not normally be burdened with other administrative and enforcement work of the Department.

61. The status of the Conciliation Officer should be improved and his pay-scale should not be less than Rs. 300-900.

62. The powers of the Conciliation Officer should not generally be given to the Officers below the rank of the Assistant Labour Commissioners.

63. Since a Conciliation Officer acts as a mediator, his being invested with powers of a Civil Court to summon the parties in conciliation proceedings would jeopardize his role as a Conciliator.

64. Conciliation Officer should not generally act as an arbitrator in cases where he has acted as a Conciliator.

65. An analysis of the time taken by the Conciliation Officers in their reveal that time taken by the Conciliation Officers is generally less than one month. The time taken by the Conciliation Officer should not generally be more than a month.

66. The reasons for delay in conciliation are the inadequacy of the staff, excessive jurisdiction of the conciliation officer and other administrative responsibilities which they have to look after, besides their basic charge.

67. A well-defined procedure should be followed in admitting a dispute in conciliation and in submission of reports indicating failure or success of conciliation efforts. Guide-lines to be followed by the Conciliation Officers should be issued by the State Governments. Model guide-lines have been incorporated in Appendix VI of this Report.

## Problems Of Public Sector Undertakings

68. The declared policy of the Government that the public sector should function as an enlightened and progressive employer serving as a model for the private sector should be translated into actual practice.

69. Review of industrial relations in each public sector undertaking should be conducted by the State Labour Commissioners at least once in three years.

70. The basic factor on which healthy labour management relations rest is the prompt and effective discharge of their statutory obligations by the employers in the public sector.

71. Employers in the public sector should also be liable to prosecution in the same manner as private sector employers and Government should not hesitate in giving permission to prosecute such officers, who do not care to satisfy the various provisions of labour laws.

72. The managements must take care in detecting causes of disaffection and be prompt in initiating speedy measures to remove the same. The management of the public sector should discharge their obligations with exceptional care and should adopt an enlightened policy in labour matters.

73. It is necessary to vest the officers of the public sector undertakings on the spot with adequate authority so that they may take quick decisions in eliminating delays in settlements of workers' grievances.

74. The Government should follow uniformly in the case of public sector undertakings the principles laid down for reference of disputes to adjudication adopted at the 17th Session of the Indian Labour Conference.

75. The public sector undertakings should take steps to strengthen their Personnel Department and to have a Personnel Manager/Officer, who is trained and professionally qualified and equipped with sufficient experience in labour-management relations.

76. The public sector enterprises should take help of the Conciliation Officers and the machinery provided by the Labour Department in the settlement of disputes.

77. The public sector undertakings should constitute a Grievance Machinery in consultation with the workers' representatives and full use should be made of such machinery.

78. The public sector undertakings should take increased recourse to mediation and voluntary arbitration for the settlement of disputes.

79. The public sector undertakings should provide effective machinery for joint consultation. A Permanent Negotiating Machinery consisting of the representatives of the employers and workers nominated

by the recognized union may be provided for this purpose.

80. The importance of communication in relation to the size of the enterprise should be properly realized. There is also need to instil in the workers a sense of partnership and pride in public sector enterprise and a sense of responsibility for its efficiency and well-being.

81. The management of the public sector enterprises should show a lively interest in the welfare of the employees and take interest in developing their qualification and skill to improve their prospects and standards of living.

## Problems of Small Industrial Sector

82. Deliberate attempts by the employers to deny to the workers the benefits under the law by subdividing their enterprise should be checked. It is also necessary to plug the loop-holes in the law to check such evasions.

83. It is necessary to educate both the employers and the workers of small units about their rights and obligations.

84. As far as possible, one Inspector may be given powers of inspection under various laws, so that a small entrepreneur has not to satisfy a number of diverse authorities.

85. There should be a separate legislation for the small and unorganised sector, which might cover important provisions of the Minimum Wages Act and include salient provisions covering health, safety and welfare of workers.

86. The implementation of the labour laws in small undertakings can be improved only if adequate inspectorate staff equipped with transport facilities is provided.

## Problems Of Implementation

87. The suggestion that the trade unions should function as supervisors for the implementation of the labour laws, is not acceptable.

88. The workers' organisations should not be given powers to directly approach the courts for redress of their grievances. The present procedure of sanctioning and filing of prosecutions by or under the authority of the Government should continue.

89. It might be desirable to lay down a procedure whereby, inspecting officer should obtain sanction from his higher officer to file a prosecution.

90. Government may accord sanction on the merits of each case to the employer, union or the workers to file prosecutions under the labour laws.

91. The workman or the union should not have power to approach the Tribunal or the Labour Court directly for adjudication of a dispute.

92. For looking after the implementation of awards, settlement or agreements, suitable statutory machinery should be provided under the Industrial Disputes Act.

93. Labour Courts may be given powers to recover the amount due under the Industrial Disputes Act, to issue recovery certificates in the manner provided for recovery of fines imposed under the Code of Criminal Procedure, as if it were a Criminal Court.

94. There should be a provision under the Industrial Disputes Act on the lines of Section 17A of the Payment of Wages Act for attachment of the property of the employers against whom recovery proceedings have been filed.

95. Statutory provisions should be made in the various laws to enforce the provision of the Code of Discipline. To accept the voluntary approach in an atmosphere of mutual distrust will not be fruitful.

#### Miscellaneous Matters

96. Tripartite deliberations can and do play an important part in shaping labour policies. If the State Governments feel that important decisions and recommendations of the tripartite bodies are not implemented, they may consider enforcing such measures by legislation.

97. Provision should be made in the relevant Central and State laws to make Wage Board recommendations accepted by Government statutorily enforceable in all the States.

98. The use of discretion in administration is almost inherent. In case of implementation of labour law and labour management relations, where human element is more pronounced, discretion cannot be taken away from the administrative authority.

99. The charge that discretion is used in favour of so-called "favoured unions" in matters of reference of disputes to adjudication is not substantiated.

100. There should be no delay in registration of trade unions or refusal to register a union on any ulterior grounds.

101. Discretion should be used in as objective a manner as possible without any extraneous pressure or consideration being brought in.

102. It is not possible to codify the use of discretion, but whenever possible, some guidelines may be evolved for exercise of discretion by the officers in following a consistent policy.

#### Appendix VI

##### Guide-Lines For Conciliation Officers

1. **Admission of Dispute in Conciliation :** In regard to disputes in concerns which are not Public Utility

Services within the meaning of the Industrial Disputes Act, the admission of disputes in conciliation is discretionary and not obligatory. Normally, such disputes should be admitted in conciliation after preliminary scrutiny and enquiry.

2. The object of the preliminary scrutiny is to see whether the subject matter of the dispute in question would not be in contravention of any statutory provisions and would not militate against any directive and/or instructions issued by the Government from time to time.

3. The points in regard to which a preliminary scrutiny and enquiries are required to be made are :

(i) Jurisdiction of State conciliation machinery or Central Government machinery ;

(ii) Total number of workers in the establishment and number of workers affected by the dispute ;

(iii) Whether the demands under dispute were served on the opposite party by the party sponsoring the dispute and whether mutual negotiations were held and if so, with what results ;

(iv) Sponsorship of the dispute by a registered Trade Union or individual workman or by duly elected representatives of the workmen ;

(v) Whether any of the demands in the dispute are *prima facie* covered by the provisions of any of the Labour Laws ;

(vi) Whether demands involved in the dispute have been previously brought in conciliation/refused adjudication/covered by subsisting award or settlement or pending before any other officer or the Industrial Tribunal Labour Court.

4. A dispute should not be admitted in conciliation :

(a) If employees, on whose behalf it has been raised, are not workmen within the meaning of the Act ;

(b) If there is a subsisting settlement or award covering the same or substantially the same demands now being raised ;

(c) If remedy to any of the demands can be secured by recourse to the other existing labour legislation.

5. If on the basis of preliminary enquiries made, the Conciliation Officer finds that the dispute or a particular demand involved in it is not admissible in conciliation on account of certain statutory provisions or requirements or the directives mentioned in para 2 above, the Conciliation Officer should inform the Trade Union/Workman in writing that he would not be able to take the dispute/demand in conciliation.

6. If he has decided to admit only a part of the dispute in conciliation, he should specifically mention this fact in his note and also indicate which part of the dispute or which of the demands have been admitted

in conciliation by him.

7. Simultaneously with the admission of the dispute in conciliation, the Conciliation Officer should issue to the parties concerned letters declaring that he has commenced conciliation proceedings on such and such demands and also mention the date, time and place of the commencement of conciliation proceedings.

8. In case of Public Utility Services, where a notice of strike has been given in the prescribed manner, the Conciliation Officer should scrutinise whether the notice is in the prescribed manner and that it is otherwise not frivolous or vexatious. If it broadly meets the legal requirements it is incumbent on the Conciliation Officer to initiate proceedings on the dispute without preliminary enquiries. In such cases, conciliation proceedings automatically commence on the date of receipt of the notice of strike or lockout by the Conciliation Officer under Section 12(1) of the Industrial Disputes Act.

9. Every effort should be made by the Conciliation Officer to complete conciliation proceedings within the time limit fixed under Section 12(6) of the Industrial Disputes Act and normally the time taken for conciliation should not exceed one month unless the parties themselves desire to extend the same and the Conciliation Officer consents to the same on reasonable grounds.

10. **Report of Conciliation Officer :** The Conciliation Officer, under law and practice, is required to send to the Government two types of reports under Section 12 of the Industrial Disputes Act. When no settlement is arrived at, he has to send a report known as "Failure Report" vide Section 12(4) of the Act. When a settlement is arrived at (vide Section 12(3) of the Act) he has to send a report to the Government, together with the 'Memorandum of Settlement', duly signed by the parties to the dispute.

11. Sometime a question arises as to whether a report is necessary in case a settlement has not been reduced to writing, Section 12(3) of the Act read with Rule 58 of the Industrial Disputes Rules, 1958, however, contemplates the completion of a settlement in writing in the prescribed Form H. But where conciliation proceedings have already started either in—

(i) A Public Utility Service on receipt of a notice of strike or a lock-out under Section 22 of the Act; or

(ii) A Non-Public Utility Service where the Conciliation Officer has given formal intimation in writing to the parties declaring his intention to commence conciliation proceedings with effect from such date as may be specified there—in accordance with the relevant rules under the Act—and the dispute is settled without any agreement in writing, it seems necessary that to

conclude proceedings under Section 20 of the Act, a report in writing should be sent to the Government under Section 12 of the Act.

12. Where a Conciliation Officer intervenes casually or informally for purpose of narrowing down differences between the disputing parties and the differences are allowed to be negotiated mutually between the parties as a result of his good offices, such cases cannot strictly be treated as regular conciliation proceedings laid down under the Act and no report is necessary to be sent to the Government in such circumstances.

13. The report of Conciliation Officer should provide, inter alia, the following—

(a) The names of the parties to the dispute(s) together with their addresses;

(b) The affiliation of the Union raising the dispute with a central labour organisation (i.e. whether it is affiliated to the Indian National Trade Union Congress etc.); where the Union is not affiliated to any central labour organisation, the Conciliation Officer should record his opinion as to the political leanings of the Union, if any;

(c) Whether the union has in its constitution adopted a method of setting disputes by mediation, conciliation, adjudication or arbitration;

(d) Whether a strike or a lockout exists in the undertaking in which an industrial dispute has arisen. If so, full details about the same;

(e) The approximate number of workers involved in the dispute vis-a-vis the total workmen employed in the establishment concerned;

(f) Wherever possible, the exact or approximate membership of the union sponsoring the dispute and also of the rival unions, if any.

14. A failure report has to be prepared cautiously and carefully. It should contain details of the dispute and proceedings held in regard to it. The report should normally contain :

(a) Steps taken by the Conciliation Officer for ascertaining the facts and circumstances relating to the dispute;

(b) Steps taken to bring about a settlement on the dispute;

(c) A full narration of such facts and circumstances; and

(d) The reasons on account of which, in his opinion, a settlement could not be arrived at.

15. The following should invariably figure in the course of the Report :

(a) Correct names and addresses of the parties to the dispute;

(b) Trade union/s sponsoring the dispute and its affiliation;

(c) Subject matter of the dispute; and

(d) Categories/departments of workmen/staff etc., affected by the dispute.

The failure report should be accompanied with confidential note, which must supplement the failure report by such other information which otherwise cannot be given under the statutory report and which is meant for the confidential use of the Government and cannot, therefore, be a public document.

16. The report of failure of conciliation received from the Conciliation Officer should contain the relevant information necessary to assess properly the issues raised by the unions for coming to a conclusion whether the disputed matters are or are not fit matters worth reference to adjudication. The following instructions should, therefore, be kept in mind by the Conciliation Officers while dealing with disputes under the provisions of the Industrial Disputes Act, 1947 :

(i) In cases involving personnel problems, such as transfer, suspension, demotion, discharge, dismissal, retrenchment, lay-off etc., the length of service put in by the employee under the same management and whether the record of his service was good, bad or indifferent, should be ascertained and incorporated in the failure report. In case his previous record of service was bad, the specific offence with which he was charged and the penalty imposed should also be mentioned;

(ii) In cases of alleged victimisation of employees, the motive behind such victimisation should be ascertained and reported, while in case of alleged victimisation for trade union activities, the capacity in which and the period for which the workman has been associated with the union, should be ascertained and reported. It would be also relevant to know in such cases whether the punishment imposed on the employee can be considered reasonable or excessive;

(iii) In cases of retrenchment and lay-off, it should be ascertained and reported whether the retrenchment/lay off was bona fide, just and unavoidable and also whether the principle of "last come first go" was observed. If not, whether there has been sufficient justification for departing from this principle;

(iv) In all cases, it must further be examined whether the action taken by the management was in conformity with the standing orders. If not, whether remedy already lies with the workmen to refer the question/irregularity direct for decision to the Labour Court under Section 13A of the Industrial Employment (Standing Orders) Act. Where proceedings are in pendency and the employer has failed to obtain permission/approval in accordance with Section 33 of the Industrial Disputes Act, 1947, whether the workman or the union on behalf of the workman has availed of remedy under Section 33A, in filing a complaint before

the adjudication machinery and made complaint is subjudice before the Labour Court/Industrial Tribunal. In the later circumstances, the dispute is not ripe and should, therefore, not be admitted in conciliation.

(v) In cases where the dispute involves withdrawal of a privilege or concession previously enjoyed by the workman, or change in the condition of service, the period during which the privilege, concession or previous condition of service was in vogue and the circumstances under which such privilege, concession or condition of service, was originally introduced should be reported, indicating clearly how far those circumstances hold good even after such withdrawal.

(vi) Where a dispute has been raised much after the event giving rise to the dispute, the reasons for delay in raising the dispute should be ascertained from the party and mentioned in the report, together with the comments of the officer as to how far those reasons can be accepted as valid and satisfactory.

17. A charter of demands submitted by the union should invariably be sent by the Conciliation Officer along with the failure of conciliation report submitted under Section 12(4) of the Industrial Disputes Act, 1947.

18. The failure report (factual report, Part I) should not go beyond the actual statement of facts by the parties to the dispute and should not include the opinion of the Conciliation Officer or his likely recommendations. This is not the purpose of this part of the report. This report should be concise and brief and should be confined only to the factual statements made by the parties, since a copy of this report is also required to be sent to the parties concerned.

19. The Confidential Report should only give additional facts which the Conciliation Officer wishes to mention together with his own comments, assessments, recommendations etc. It may be brief but not so brief as not to clearly detail the pros and cons of the issues under reference. In other words, irrelevant facts should be avoided and repetition of what has been stated in Part I should not be made.

20. The report sent under Section 12(4) should also contain, briefly, information about the time taken by the Conciliation Officer in preliminary investigations, time taken in conciliation proceedings and the period or periods for which adjournments were allowed indicating the reasons therefor. This will help in finding out the stages and causes of delay. It should also be mentioned in the Report, whether the dispute was ever raised by any other union/federation. If so, with what results?

21. In the Confidential Note (Part II), the Conciliation Officer should also enumerate the breaches, if any,

of the Code of Discipline in Industry before or during the course of conciliation proceedings. He may also mention in this report whether the parties were ever persuaded by him to agree to voluntary arbitration and what has been the reaction of the parties to the same.

22. The Conciliation Officer, while making recommendations to Government for considering a reference to adjudication, should state his views clearly and unequivocally to help Government in coming to a decision about the dispute.

23. While recommending adjudication on a dispute the following principles may be borne in mind by the Conciliation Officer :

(a) Where a strike or a lock-out is in force and the strike or lock-out prima-facie appears to be illegal/unjustified, adjudication may ordinarily be refused, unless the strike or lock-out as the case may be, was on account of provocation and was subsequently called off by his timely intervention;

(b) As a rule, no adjudication should be recommended in respect of individual cases relating to dismissal or discharge which involve breach of discipline, unless the action of the management prima-facie is with a view to weaken the legitimate trade union movement and appears to be nothing short of an unfair labour practice.

24. Once conciliation proceedings have commenced under law, they must conclude, either by way of settlement under Section 12(3) or failure of conciliation under Section 12(4) of the Act. In all such cases, a report has to be sent to the Government. In the case of a report under Section 12(4) of the Act, intimation of such report having been received by the Government should be given as a conclusive proof of the conclusion of proceedings. If the party sponsoring the dispute intends to withdraw some of the demands or the whole

of the dispute from conciliation, such withdrawal should always be in writing, duly signed by the parties to the dispute. Where a dispute has been wholly withdrawn in the above manner, the conciliation proceedings may be treated as closed and an informal report to Government may be sent. Where, however, only a part of the dispute is withdrawn, a report in respect of the remaining part resulting either in settlement or failure, as the case may be, shall be submitted to the Government and the fact of withdrawal of a particular demand should also form part of such a report.

25. Where the party sponsoring the dispute fails to pursue the same vigorously or has shown lack of interest in carrying on the same or where delaying tactics are adopted by seeking or applying to seek frequent and meaningless adjournments, the Conciliation Officer may give a final notice to the parties of his intention to close proceedings and may proceed to do so on the expiry of such notice. An intimation of closing the case should also be sent to the Government, while informing the parties to the dispute, so as to complete the process of law.

26. It sometimes happens that after failure has been reported in conciliatory efforts by a Conciliation Officer, Government desires that further attempts to settle the same be made and entrusts the work to some senior officer of the Department. In such circumstances, unless a settlement is arrived at, report under Section 12(4) of the Act is not at all necessary. The results of efforts made, may, however, need to be reported to the Government through a confidential communication. Such report may include any fresh points, which have come to the notice of the investigating officer in the course of the subsequent efforts and which, in his opinion, are relevant to consideration by the Government, for reference of the dispute or otherwise to adjudication.



# NATIONAL COMMISSION ON LABOUR, WORKING GROUP ON LABOUR ADMINISTRATION (SOUTHERN REGION), 1967—REPORT

Delhi, Manager of Publications, 1969. 162p.

Chairman : Shri T.S. Sankaran.

Members : Shri K.B. Lal (replaced Shri Bharat Chand Khanna); Shri V. Hanumanthappa; Shri N. Kochu Krishnan.

Member-

Secretary : Shri Y. Sivasankara Reddy.

## APPOINTMENT

The National Commission on Labour constituted the Working Group on Labour Administration (Southern Region) covering the States of Madras, Andhra Pradesh, Mysore and Kerala vide its Memorandum No. 3(4)/67—NCL dated December 28, 1967.

## TERMS OF REFERENCE

"The Working Group will examine the papers prepared by the Commission on the Subject of Labour Administration, Covering the present administrative set-up for implementation of Labour Laws, its effectiveness and related problems. It will add to/amend/modify or reject the conclusions reached in the light of experience in the States in the Southern Region (Madras, Andhra Pradesh, Mysore and Kerala)."

## CONTENTS

Foreword; Introduction; Report; Annexures from I to VI.

## RECOMMENDATIONS

\*1 to 3. The Note refers to the Five Year Programme for Labour drawn up in 1946 by the Interim National Government, the incorporation in the subsequent legislative enactment of many of the essential points contained in this Plan and also the enlistment of some of these provisions as Directive Principle of State Policy in the Constitution. No comments are called for on these paragraphs.

4 to 6. Most of the enactments that are in force in

\*These numbers and the numbers against the subsequent paras refer to the paras in Annexure VI. of this report.

the Southern States are Central enactments. Some of the pieces of legislation enacted by the States and now in force are indicated below and are classified according to their dominant coverage.

## Legislation On Working Conditions

Andhra Pradesh : The Andhra Pradesh Shops and Establishments Act.

Madras : The Madras Shops and Establishments Act.

The Madras Catering Establishments Act.

\*\*The Madras Beedi Industrial Premises Conditions of Work Act.

The Madras Industrial Establishments and Festival Holidays Act.

Mysore : The Mysore Shops and Establishment Act.

The Mysore Labour Welfare Act.

The National and Festival Holidays Act.

The Mysore Beedi Workers Industrial Premises Act.

Kerala : The Shops and Commercial Establishments Act.

The Kerala National and Festival Holidays Act.

The Group considers that with regard to the wages, earnings, social security, welfare and other miscellaneous subjects, the existing labour legislation should be codified so that similar provisions under different Acts could be brought together and dealt with and if any special rules are necessary in any particular category, powers might be vested in the appropriate Government to frame such special rules under the codified legislation. Further, at the moment, there are variations in the definitions of various terms under the different Acts. It is desirable to have uniformity (i) in the definitions of the various terms, (ii) in the matter of the leave provisions, (iii) in the regulation of conditions of service etc.

7. The Group is of the view that in terms of the range and content of legislation, the Indian labour law frame-work could compare favourably with what is available for workers in many advanced countries and

\*\*Now replaced by the Central Act

that there should not normally be need for further legislation. The Group feels that a just and efficient administration of the provisions of labour laws would go a long way in improving the conditions of labour and establishing a climate for improved labour-management relations. It is also recognised that to the extent labour and management co-operate with each other in ensuring proper implementation of the labour laws, especially in view of the fact that there is a large area of legislation where such co-operation is possible and desirable, the burden on the administrative machinery would be lightened.

8 & 9. No comments.

10. The Group agrees that the passing of legislation and accepting certain resolves in bipartite or tripartite meetings and parcelling them out to different agencies for implementation hardly provide the desired effect in real terms to the working class if the spirit of legislation is inadequately understood and the resolves accepted at the national level do not reach the units where they are expected to operate.

11 to 16. The varying emphasis laid on some of the aspects of the labour policy during the different Five Year Plan periods and also the policy followed by the Government during the period is indicated in the Note and no specific comments are called for regarding these general aspects.

17. The Group agrees that there is room for improvement in the administration of the legislation which has been enacted for the protection, safety and welfare of industrial workers. In future, the emphasis should be more on effective enforcement of the existing labour legislation rather than on the enactment of new labour laws. Secondly, the Group finds that bodies like the Works Committees and Joint Management Councils are not functioning properly, and therefore, some rethinking is necessary in respect of these institutions. Thirdly, execution of programmes which have large bearing on the welfare and prospects of workers such as workers' education, provision of facilities for imparting higher skills and training to workers, social security and labour-research would go a long way in securing labour welfare and in improving the prospects of workers.

18. The Group feels that it is desirable to retain the present nomenclature of the Department. Though industrial relations might form a very important part of the work of the Labour Department, the Department has other items of work, such as regulation of working hours, social security, etc. Even the International Body has its nomenclature as "International Labour Organisation" and the Government of India has also named the present Commission as "National Commission Labour". Further, with the increasing emphasis on collective bargaining in matters of industrial relations,

governmental role in this regard would be gradually minimised. It is, therefore, felt that no change is called for in the present nomenclature. The position in respect of each State regarding the combination of Labour and other subjects at different levels is indicated below :

#### Ministerial Level

Madras :	Labour, Law and Co-operation.
Andhra Pradesh :	Labour, Information and Public Relations.*
Mysore :	Labour, Information and Fisheries.**
Kerala :	Labour, Employment and Training.

#### Secretariat Level

Madras :	Industries, Labour, Nationalised Transport and Housing.
Andhra Pradesh :	Home, Labour and Transport.
Mysore :	Labour, Food and Civil Supplies.
Kerala :	Labour and Health.***

19. No comments.

20. The Group is of the view that an institution to give training to the Officers of the Labour Department should be started and located in any one of the States of the Southern Region, and the cost of such a scheme should suitably be apportioned between them. Such an institution would give an opportunity to the Labour Department Officers, Labour Commissioners, Secretaries and Ministers of all the States to give lectures to the trainees and to exchange views on several problems.

21. No comments.

22. The Group is of the opinion that a separate Statistical Cell should be created in the Labour Commissioner's Office under a Statistical Officer.

The general pattern in the Southern States is that the Chief Inspector of Factories is subordinate to the Commissioner of Labour and he functions independently only in respect of certain technical matters. In Kerala, however, the Chief Inspector of Factories is functioning as an independent Head of the Department and is also administering independently non-technical Acts like the Payment of Wages Act etc., so far as it relates to factories.

The Factories Act itself provides as per Section 8 (vii)

\*According to recent change, Labour and Commerce.

\*\*According to recent change, Labour and Municipal Administration.

\*\*\*Recently it has become Labour and Social Welfare.

a superior authority of the Chief Inspector of Factories. Apart from a few technical matters, the Chief Inspector of Factories is concerned with so many other matters relating to welfare, that it is proper that the Commissioner of Labour should be in the know of all these things and should have control over him in the administration of these welfare measures for labour. According to the experience in some States, a purely technical person like the Chief Inspector of Factories would not be in a position to deal with some of the administrative matters in consonance with the provisions and objectives of the legislations.

The Group is of the unanimous opinion that the Chief Inspector of Factories should function as a subordinate to the Commissioner of Labour.

The Group also notes that the position of the Chief Inspector of Boilers in the Southern States varies from State to State. In Kerala and Mysore, the Chief Inspector of Factories is also the Chief Inspector of Boilers, while in Andhra Pradesh and Madras the Chief Inspector of Factories and the Chief Inspector of Boilers are separate. The Group feels that a similar arrangement as recommended in respect of the Chief Inspector of Factories should also obtain in the case of the Chief Inspector of Boilers vis-a-vis the Labour Commissioner and the Labour Department.

23. It is agreed that the task of the labour administrator in an industrial democracy is not merely to see to the compliance with the legal provisions under the various Acts, but also to create the necessary atmosphere in which the obligation and responsibilities under law are understood and accepted and further to create the necessary consciousness for the observance of these provisions.

The general consensus of the Group is that employers' organisations and the trade unions should be encouraged to sort out their problems and to make efforts mutually to resolve them without the intervention of the Government.

24. No comments.

25. Information showing the responsibilities of various designations and the structure of labour administration at present, as well as in 1946 is indicated in Annexures I and II of this Report.

26. No comments.

27. No comments.

28. The Working Group also is of the view that a factor which is important in getting full benefits of labour legislation for workers and which is missing in the Indian situation, is a strong and united trade union movement. The working conditions rarely come in as the area where unions are prepared to argue with employers for getting redress, and their strength is currently used for securing more and more real benefits

to the workers. Only in cases where a demand is made by an employer for adjusting workload will complaints regarding working conditions from unions come to the employers' notice. It is also noticed by the Working Group that excepting cases of non-implementation where money or employment is involved, trade unions are often reluctant to approach employers for enforcing compliance.

29. Regarding the general problems of communication and limits of acceptance by the unions, certain difficulties are faced because of shifting loyalties to a union among the rank and file of workers and also because of independent unions or unions affiliated to federations other than the four Central Organisations of employees. It is the opinion of the Working Group that in view of the limit placed by Central Government on federations for a minimum membership to qualify for consultations, this problem will continue to remain, unless trade union unity, which has eluded union leaders so far becomes a future reality.

30. In tripartite conferences like the Indian Labour Conference, Standing Labour Committee, Industrial Committees etc., the State Government representatives generally play a passive role. The general experience has been that these meetings are mainly dialogues between the representatives of major Employers' Federations and the Central Organisations of trade unions. Therefore, if such meetings are preceded by a meeting at an official level of the representatives of State Governments and Central Ministries, it would provide an opportunity for detailed discussion and expression of views on the subjects to be discussed at the subsequent Labour Ministers' Meeting and at the Tripartite Meetings.

31. The Group accepts the view that labour legislation being mostly social in character, it should develop its sanctions through the process of education. It is felt that persuasive methods yield better results and they should be adequately used. Regarding the other view, that penalties should be deterrent enough, the Group feels that in the matter of implementation of Labour Legislation sometimes the very threat of prosecution will have the desired effect than the actual prosecution itself. Particulars are furnished regarding the number of prosecutions launched, cases where default has been established and the nature of penalty imposed for such default in Annexure III of this report.

32. The Group finds that in this Region there have not been many cases of withdrawal of prosecution by the Government or by the authority competent to sanction such withdrawal.

33. The role of Government will continue to be important particularly in the matter of creating and strengthening a permissive type of machinery to which

complaints could come for redress. In the case of small units where un-organised sections of workers are found, the Group offers the following comments in respect of their special problems detailed below :

(i) The Group feels that in the matter of exemption given to small units on the basis of the number of employees engaged, some employers could exploit such exemption by showing a worker-strength below the exemption limit even when the number of employees is such as would take them outside the exempted category. As a result of such action by some of the small managements, some extra burden is thrown on the Labour Machinery.

(ii) The Working Group accepts the findings in the Note.

(iii) The Inspecting staff is inadequate. This issue can be viewed from two angles viz., concentrated workload and diffused workload and accordingly the staff requirements can be assessed.

(iv) & (v) No comments.

(vi) This does not contribute to the problem of labour administration. This may mean problem for the employer, but this cannot be helped. The only manner in which this may have some bearing on labour administration is that because of several functions involved, the Manager may not be able to devote much attention to matters connected with labour and consequently it may mean additional problems in labour administration.

(vii) & (viii) The Working Group accepts the statements indicated in the Note.

34. Cases of sub-division for genuine reasons might not be construed as evasion. But in cases where the employer is wanting to deny the workers the benefits available under law by sub-dividing his unit into smaller parts, the department should be alert to notice such evasions. The Group does not have sufficient information before it to come to any conclusions on the magnitude of such sub-divisions, malafide or genuine. The Group also considers that to prevent such malafide sub-divisions a provision similar to the one incorporated in the Plantation Labour Act may be thought of in respect of factories and other establishments.

35. & 36. There may be lapses in public sector undertakings and criticisms also may be there about them. But it cannot be said that there is deliberate action by the managements regarding these lapses.

There should be no discrimination of preferential treatment between public sector undertakings and private undertakings. Penal action should be taken and when it is required. The Group feels that the recommendation that there should be an annual review, stems, perhaps, from the feeling that penal action is

not being taken against the public sector undertakings. It does not appear to be necessary that such reviews should be conducted by the State Labour Department or Central Labour Department, especially, in view of the fact that no such reviews are undertaken in private sector undertakings and there is no need to distinguish between public and private sector undertakings. Such review can be had at the plant level by the managements in consultation with union/unions.

37. Instances are not wanting where managements of certain public sector undertakings have, instead of approaching Labour Department in the first instance, have taken up the matter at the higher level. Approaching conciliation machinery in the first instance will avoid any delays in the possible settlement of dispute. There have also been cases where representatives of the management in respect of public sector undertakings who appeared before the conciliation machinery are not authorised or competent to commit the management in respect of matters as they arise during conciliation. It is, therefore, desirable that the persons appearing before the conciliation machinery must be persons who are duly authorised to take decisions on behalf of the management. The following suggestions are made on the various points contained in the Note of the Commission.

(i) The Personnel Department should be strengthened, wherever necessary, with duly qualified and experienced persons.

(ii) As already stated, recourse must be had, in the first instance, to the conciliation machinery.

(iii) There should be prompt attention to the grievances of the workers based on well-established grievance procedures.

(iv) There must be increasing recourse to voluntary arbitration as a method of settling industrial disputes. In this context the group feels that there is reluctance particularly on the part of the managements to agree to voluntary arbitration even in the case of non-employment.

(v) It is recognised that promotion is a management's function. But while promotion is being considered, there should be satisfactory assessment by the Committee constituted for this purpose. In this Committee, representatives of various departments concerned with the work of the individual and also of the personnel department should find a place and in the assessment of the candidate, arbitrariness must be eliminated.

(vi) The machinery of joint consultation has not been tried on a wide basis to assess the efficacy of the system and it is noticed that even within this restricted sphere this machinery has not been very popular with the managements or even with the workers,

and so it has a very limited scope in the foreseeable future.

38. A reference is made in the Note that to avoid complications which are likely to result in the event of non-uniformity in the working conditions according to the practices in different States, the industrial relations in multi-unit industries should be brought under the Central jurisdiction.

It is not known how a change from the State industrial relations machinery to the Central machinery would result in any advantage. One way of resolving disputes is by settlements. If the settlements are under 14(1) of the Industrial Disputes Act, it is the business of the authorities themselves to look to the fact whether uniformity in working conditions is ensured with reference to the other units in other States. If the settlements are under 12(3) of the Industrial Disputes Act it would not make any difference whether settlements are effected by the State machinery or by the Central machinery, because the management would not enter into settlements without reference to their head-office. Even when the Central Conciliation Officer takes up the matter, the management might introduce an All-India perspective and the Labour Officer might do so, but the legal union might not have such a perspective.

If this principle is conceded, then it should be extended private sector undertakings also which have branches in other States. Once this principle is accepted then it would lead to a difficult situation, because at a given time we might not be able to know what are the multi-unit undertakings, as these might be going on changing. Hence it would be better to maintain the status quo with some marginal adjustments. One way of approach to this problem would be to adopt some conventions like referring the issues of such multi-unit undertakings to National Tribunals.

The Law and Order problems and the location of industries are the two aspects which are interdependent. Since the States are responsible for the maintenance of law and order and are ready at hand to handle the law and order situation, only the State Governments are the proper authorities to handle the disputes of the undertakings situated in their respective jurisdictions.

Only a few subjects like Railways, Posts and Telegraphs, and Life Insurance Corporation, which are predominantly of all-India character and where the operations have to be carried on at an all-India level can be handled by the Centre.

It is not a valid principle to hold that, because some subjects are in the Central list, the industrial relations pertaining to those subjects should also be

with the Central Government. It is also not valid to proceed on the assumption that the multi-unit undertakings should be with the Central Government.

39. No comments.

40. The general view of the Group is that as far as this Region is concerned the view that the Labour Department is helpless is not correct.

41. Labour is a specialised subject calling for specialised knowledge. Therefore, persons functioning as Labour Commissioners should be appointed for fairly long periods. They should also be senior officers.

Information about the changes which have taken place both at the level of Labour Secretary and the Labour Commissioner in the last 10 years is indicated in Annexure IV of this Report.

42. Experience has shown that these Courts have functioned satisfactorily and that the delays are not the creation of the Tribunals alone, but of the contending parties also, including labour.

43. No comments.

44. The stalling is not adequate at present. Each State could evolve a proper yard-stick with reference to existing workload.

45. No comments.

46. Some delays do occur because of lack of adequate staff. One suggestion is that generally not more than two adjournments should be given while handling the disputes. The Group feels that intensive training to the officers and bifurcation of the machinery into conciliation unit and enforcement unit would mitigate the problem of delay.

47. The Group is of the view that the Conciliation Officer should not be clothed with any such powers. If such powers are given, he would cease to be a conciliator. The Group considers that the assessment of the conciliator merely with reference to delays in conciliation or the settlements through conciliation will not be a correct index as delays might have been unavoidable in certain cases and in certain other cases the matter might have been delayed deliberately for valid reasons relevant to the dispute.

The Group also feels that it is not possible to find out the number of cases where the Conciliation Officer did not get credit for settlement because the time limit worked against him.

48. The Group does not agree with the view that the width of interest and depth of understanding which can make conciliation a success is conspicuous by its absence in the personnel handling conciliation proceedings. This is an unduly harsh assessment of the pains which the conciliation officer takes in settling a dispute.

49. The Group does not agree with the observation

in this paragraph, though it cannot be denied, that there have been a few cases of this type. The Group would also stress that as far as this Region is concerned, the parties generally approach the conciliation machinery with a genuine desire for settlement. Failures of conciliation cannot also be attributed to lack of genuine desire on the part of the parties for a settlement.

50. If the legal position is that the managements do not get tax relief in the case of settlements through conciliation, which they would under the awards of tribunal or labour court, then the Group would strongly recommend that settlements arrived at during conciliation should also be placed on the same footing as that of awards in respect of tax relief. Examples could be given where the managements or trade unions by not accepting certain suggestions made during conciliation have lost or gained by the award of the labour courts/tribunals. But no inference can be drawn from such instances.

51. The Group agrees that in this important area of implementation of labour legislation, inadequacy of officers should not be allowed to continue. The Group feels that there is need for the bifurcation of the machinery into conciliation and enforcement units. After such bifurcation the workload could be fixed up, depending upon the average number of cases and the number of cases that one can do during a given time.

The Group after examining the position in the various States in the Region considers that 300 to 400 disputes including the complaints could be a reasonable workload per year for Conciliation Officer.

52. Improvement could be effected in several ways, for example, (i) proper selection of persons, (ii) adequate training before he is put on the job, (iii) periodical in-service training, (iv) refresher course, seminars and other study groups, (v) departmental conferences (vi) avoidance of frequent transfers, (vii) avoidance of high level intervention at the first instance etc.

53. The Group is not in agreement with the view that a part of the alleged failure of the conciliation machinery is attributable to lack of powers of conciliation officer and inadequacy of his pay and status within the hierarchy of Government vis-a-vis the parties which are required to appear before him. The Group feels that the pay of the officers has no relevance to the success in conciliation.

54. The number of settlements brought about by a conciliation officer could not always be the measure of his worth. In spite of best efforts, no settlement may be possible sometimes, while in some cases without much effort, settlements may result. An assessment of the workload of the conciliation officers is given in Annexure V of this report.

55. The Group feels that (a) Conciliation Officer should not have powers to adjudicate in regard to disputes, (b) the officers assessment about the reference of a dispute to adjudication should be respected, and (c) the implementation of settlement reached in conciliation should not be the responsibility of the same officer. This would mean that the Conciliation Officer should not combine in himself the functions of a conciliator, adjudicator and implementator.

56. The practice obtaining in the Southern States excepting Kerala is that the Conciliation Officer sends his failure report to the Government either directly or through the Commissioner of Labour and also marks copies to the parties. The confidential reports are sent to the Labour Commissioner and the Government only. In Kerala, copies of conciliation failure reports are not marked to the parties. The Group considers that conciliation failure report as well as the confidential report should be sent to the Government through the Labour Commissioner and not directly. The Group also considers that it will be desirable to send copies of the failure report to the parties also.

The Group is unanimous that even in respect of Government undertakings the confidential reports should not be marked or made available to the employers.

57. It is not correct to say that the Department uses its discretionary powers to protect trade unions of a particular brand. It is also not correct to say that in the case of other unions, Governments have on many occasions reserved for themselves the right of judging the merits of each demand and referring only some of them to industrial tribunals and withholding others. The implication, that, in the case of unions which do not find favour with the Government, it is only the minor demands which go for adjudication, if at all, is also not borne out by facts. The Group does not also agree with the view that before deleting any demand from a reference, unions should be allowed an opportunity to say before the highest Governmental level, why the demand was made.

58. No comments.

59. The Group is of the view that the alleged misuse of discretion is not a reality. If certain demands get left out, it is because there may be existing agreements/settlements/awards governing them. It may also be that as a matter of prestige such demands are put forward again by the rival unions even before awards/agreements etc., run their course. Since questions of prestige of this type cannot be a guide for governmental action, selective references may take place and with justification.

60. There may be cases of Government not accepting Labour Commissioner's recommendations. If there

is disagreement at the secretariat level, it is because there can be different views. But this disagreement should not be basis for generalising the policy followed at the Government level. The existence of feeling among the workers that it is always wise to approach Government for references through persons known to those in power has no basis.

61. The Group feels that the convention of consulting Centre before making references to adjudication in Central Public Sector undertakings located in the States, can be adopted only in the case of charter of demands which are likely to have repercussions elsewhere, subject to certain time-limit, say, one month. In other cases like non-employment, discharge, removal of existing facilities etc., no consultation should be necessary.

62. The Working Group is not aware of any instances where discretion has been used against registration of unions, or where issues, which are not germane to registration, like observance of the Code of Discipline, Industrial Trade Revolution etc., are raised in order to delay the issue of a certificate and even to deny it. The experience in the Southern States is that there have been generally no delays or refusal in the registration of the trade unions.

63. It is not correct to say that administrative discretion is used very liberally and sympathetically at the level of the Registrar of Trade Unions to accommodate the unions by and large. The possibilities of subjective manipulation in the scrutiny for a membership certificate are also rare. It is also difficult to point out instances where the same demands put up by two or more unions have been referred only in the name of a "favoured union."

64. The qualitative character of administrative discretion may vary from region to region depending upon the nature of administrative traditions prevailing there. It is neither feasible nor practicable to codify discretion.

65. That there is need for increasing the administrative machinery for the implementation is not in dispute. The suggestion in the Note will to and an extent lighten the burden of the administrative machinery in its work.

66. A good deal of labour legislation may not be self-enforcing and labour organisation may not be equally strong everywhere to enforce compliance. This would naturally throw the burden on the implementing authorities. But it will not be desirable to consider the possibility of giving workers' organisation the statutory authority to approach courts direct for redress, because of the multiplicity of the unions etc. The statement that Government discretion is used in its political interest is not correct because in the generality of cases it is only the lower cadres that sanction

prosecution.

67. The Group feels that in the present context of multiplicity of unions and rivalries among them, it is not worthwhile to give to the unions the power to approach the tribunals direct. It would not be appropriate for the Government to divest itself of its responsibility in this matter.

68. The position in the Southern States is that the Shops and Commercial Establishments Act is being implemented by the administrative machinery of the Labour Department and this should be continued. It is not desirable to leave the implementation of the Minimum Wages Act in agriculture in the hands of Panchayats.

69. Section 11(4) of the Industrial Disputes Act already gives powers to the Conciliation Officer for compelling production of documents considered relevant to the department. As regards compelling attendance of parties to conciliation meetings, the Group strongly feels that no such provisions need be made, where a party does not come to a conciliation meeting of his own accord on receipt of a notice no useful purpose is likely to result by compelling him to attend.

As regards the other problems, i.e., delays due to inadequate staff, over-burdening of the existing staff with multifarious duties, difficulties of transportation, accessibility to premises, etc., the basic remedy, in the opinion of the Group, would lie in sanctioning adequate staff for the purpose. It will also be necessary at least in certain areas in each State to provide transport at Government cost, so as to enable mobility of the staff. The Study Group notes that in the States of Madras and Kerala some plantation inspectorate staff have been provided with Government vehicles. It will be necessary to provide such facility for the plantation inspectorate staff in the other States also. Similar Government transport will have to be provided for other inspection staff also in all the States. Provision of Government transport in adequate numbers would also obviate the criticism, sometimes made, that the inspecting staff make use of transport provided by employers.

While on the subject of administrative set-up, the Study Group would like to refer to an important aspect. It is seen that in the four States in the Southern Region different authorities are performing quasi-judicial functions relating to cases under the Payment of Wages Act, Workmen's Compensation Act, etc. In Mysore, the Revenue Assistant Commissioners are functioning as Commissioner for Workmen's Compensation in their areas, while the Payment of Wages Authorities are the local Munsiff Magistrates. In Kerala, the Payment of Wages Authority is the Industrial Tribunal or Labour Court and there is a separate Commissioner for Workmen's Compensation in the

## Labour Department.

In Andhra Pradesh, all the Regional Assistant Commissioners of Labour are functioning as authorities under the Payment of Wages Act and one Assistant Commissioner deals with the work relating to the Workmen's Compensation Act. In Madras, the three Regional Deputy Commissioners of Labour are functioning as Additional Commissioners for Workmen's Compensation and authorities under the Payment of Wages Act. In addition to these items of work, there are certain other quasi-judicial functions like hearing appeals against non-employment under the Shops and Establishments' Act and in Madras, under Madras Catering Establishment Act.

The Study Group is of the view that all these quasi-judicial functions should be necessarily done by functionaries of Labour Department, so as to enable the department to have a first-hand knowledge of the working of these enactments. In the light of this, the Study Group would recommend that all these items of quasi-judicial work might be entrusted to officers of the appropriate seniority and experience from the State Labour Department, and they can function under a separate "Judicial" wing of the Department. Such an arrangement would also relieve the other officers of the Department from the regular quasi-judicial work and leave them free to concentrate on conciliation or enforcement work as the case may be. Provisions could also be made for periodical inter-change of officers between the "judicial" and the administration wings.

The Study Group had carefully considered possibility of fixing appropriate work-load for the officers in the "Enforcement" wing of the Labour Department, but in view of the different administrative pattern in the various States, it has not been possible for the Group to evolve any common workload. However, the Study Group would recommend that the individual State Governments should examine this problem of appropriate workload, jurisdiction etc., in the context of the conditions obtaining in each State and sanction the appropriate staff necessary for the purpose. It would facilitate the task of State Government in this direction if the National Commission on Labour could also in the light of the evidence collected by them indicate what could be considered as appropriate norms for the proper enforcement of the various Labour Laws.

There is one other aspect of the Labour administration which the Study Group would like to touch upon. In all the Southern State excepting in Kerala, the post of the Commissioner of Labour is included in the I.A.S. cadre of the State Government.

This, naturally, denies opportunities to the officers of the Labour Department to aspire to the highest posts in the Department. The Study Group, therefore,

suggests that the promotion prospects of the officers of the labour department are taken care of by creating senior posts like Joint Commissioners and also by increasing the number of posts of Deputy Commissioners and Assistant Commissioners so that due recognition can be given to the hard and sustained work put by officers in the lower grade.

70. The Study Group agrees fully with the suggestion that the Central Government should share a substantial part of the expenditure involved in the implementation of labour legislation. Care should however, be taken to ensure that the Central assistance agreed upon is actually made available and not denied on the pleas that such Central assistance has already been included in the overall assistance received from the Central Government by the State Governments for all Plan Schemes. Unless the Central assistance for this purpose is separately provided and ear-marked, it is most unlikely that any State Government would be in a position to find the necessary funds for strengthening the labour administration machinery.

71. The Study Group is wholly opposed to the suggestion and does not also accept the premises that the State Industrial Relation Machinery is subject to political influence.

72. The Study Group places on record its deep sense of appreciation and gratitude to Shri Y. Sivasankara Reddy, Member-Secretary of the Group who had spared no pains in making the task of the Study Group easy and in preparing this report. Members of the Study Group are also thankful to his organisation who have extended their full co-operation in connection with work of the Study Group.

73. The members of the Study Group are grateful to the National Commission on Labour for having provided this opportunity to the Labour Commissioners of Southern States to meet together and discuss common problems. This experience has been most rewarding to all of us and we would, therefore, recommend that opportunities must be provided in future also to enable the Labour Commissioners of the region to meet periodically for exchanging views and discuss common problems.

(For Annexures I—V please see the original report. Annexure VI is appended to this report)

## Annexure—VI

### Labour Administration

In recognition of its duty to protect the working class and promote its welfare, a blueprint on labour policy—A Five Year Programme for Labour—was drawn up in 1946 when the interim National Government came to power at the Centre. In the course of a



debate in the Central Legislative Assembly in 1946, Shri Jagjivan Ram, the Member in-charge of Labour, revealed that Government had formulated a plan for bringing about essential reforms in the interest of the working classes of India. The main features of the proposed Programme were :

"Statutory prescription of minimum wages in sweat-industries and occupations and in agriculture.

"Promotion of 'fair wage' agreements.-

"Steps to secure for workers in plantations a living wage.

"Reduction in the hours of work in mines to bring the working hours in line with the hours of work in factories which have been recently reduced from 54 to 48 a week.

"Legislation to regulate hours of work, spread-over, weekly rest periods and holidays with pay for other classes of workers not now subject to regulation, e.g., those employed in shops and commercial undertakings, road transport services, docks and municipal labour.

"Overhaul of the Factories Act with a view to the prescription and enforcement of right standards in regard to lighting, ventilation, safety, health and welfare of workers. Conditions of work are to be improved, particularly in unorganised industries and work places to which the present Factories Act does not apply.

"Revision of the Mines Act to bring about similar improvements in the working conditions in mines.

"Organisation of industrial training and apprenticeship scheme on a large scale with a view to improving the productive and earning capacity of workers and enabling them to qualify for promotions to higher grades.

"Provision of adequate housing for workers to the extent of the resources, both of man-power and materials, that can be made available for this service.

"Steps to secure for workers in plantations, mining and other categories provision of housing.

"Organisation of the Health Insurance Scheme, applicable to factory workers to start with, for the provision of medical treatment and monetary relief during sickness, maternity benefit on an extended scale, medical treatment in the case of disablement and the substitution of pensions during periods of disablement and to dependents, in case of death, in place of the present lump-sum payments.

"Revision of the Workmen's Compensation Act with a view to extending to other classes of workers the benefit provided for under the Health Insurance Scheme in respect of disablement and dependant benefits.

"A central law for maternity benefits to secure for other than factory workers the extended scale of benefits provided under the Health Insurance Scheme.

"Extension to other classes of workers, the right, within specified limits, to leave with allowance during periods of sickness.

"Provision of creches and canteens.

"Welfare of the coal mining labour and welfare of the mica mining labour.

"Strengthening of the inspection staff and the Inspectorate of Mines."<sup>1</sup>

2. As would be seen from subsequent events, many elements of the programme were given legislative support in the years 1947 to 1952. The Constituent Assembly which was set up soon after Independence took note of the Plan in its deliberations. The Constitution finally adopted, contained several articles which reflect the general desire of the community to stand by the working class. The Directive Principles of State Policy stated in the Constitution which have a bearing on labour, are contained in the articles reproduced below :

"39. The State shall, in particular, direct its policy towards securing—

(d) that there is equal pay for equal work for both men and women;

(e) that the health and strength of workers, men and women, and the tender age of children are not abused and that citizens are not forced by economic necessity to enter a vocation unsuited to their age or strength;

(f) that childhood and youth are protected against exploitation and against moral and material abandonment.

"41. The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

"42. The State shall make provision for securing just and humane conditions of work and for maternity relief.

"43. The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas."

1. Indian Labour Gazette—April 1947—pp. 461-62.

3. Under the Constitution, the legislative powers in different fields of Government activity are shared by the Central and State Governments, in accordance with the lists which form a part of the Constitution : the Union List, the Concurrent List and the States List. The Parliament has exclusive powers to make laws on matters enumerated in the Union List. The State Legislatures have powers to legislate for the State or any part thereof on any matter enumerated in the State List. Both the Parliament and the State Legislatures have powers to make laws with respect to matters enumerated in the Concurrent List. To avoid a possible conflict, certain safeguards are provided for subjects on which both Centre and States can legislate.<sup>1</sup> Labour is a subject which is included in the Concurrent List.

## II

4. The legislative support for the Programme referred to in para 2 above was given partly by (i) strengthening the then existing legislation through suitable amendments, (ii) overhauling some of it and (iii) supplementing it by new status where none had existed before. The important pieces of labour legislation which evolved through all these processes could be divided into the following groups :

(i) **Legislation about Employment and Training** : Such as Dock Workers (Regulation of Employment) Act, 1948, (some of its provisions fall under (ii) below), Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959, Apprentices Act, 1961, Tea District Emigrant Labour Act, 1932 etc.

(ii) **Legislation on Working Conditions** : This covers the Factories Act, 1948, the Plantations Labour Act, 1951, the Mines Act, 1952, the Motor Transport Workers Act, 1961 and legislation relating to workers in shops and commercial establishments and legislation relating to safety of workers like Indian Dock Labourers Act, 1934. There have been Acts like the Children (Pledging of Labour) Act, 1933; Employment of Children Act, 1938, the Madras Bidi Industrial Premises (Regulation of Conditions of Work) Act, 1958, the Kerala Bidi and Cigar Industrial Premises (Regulation of Conditions of Work) Act, 1961, etc.

(iii) **Legislation on Labour-management Relations** : This covers the Indian Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946; the Industrial Disputes Act, 1947 and legislation

enacted in some States like the Bombay Industrial Relations Act, 1946; the U.P. Industrial Disputes Act, 1947; the Madhya Pradesh Industrial Relations Act, 1960 and so on.

(iv) **Legislation on Wages, Earnings and Social Security** : Which covers the Payment of Wages Act, 1935; the Employees' State Insurance Act, 1948; the Coal Mines Provident Fund and Bonus Act, 1948; the Minimum Wages Act, 1948; the Employees' Provident Fund Act, 1952; the Assam Tea Plantations Provident Fund Scheme & Act, 1955; Working Journalists (Conditions of Service and Miscellaneous Provisions) Act; the Payment of Bonus Act, 1965; Workmen's Compensation Act and the Maternity Benefit Acts, Central and States.

(v) **Legislation on Welfare** : Like the Mica Mines Labour Welfare Fund Act, 1946; the Coal Mines Labour Welfare Fund Act, 1947; U.P. Sugar and Power Alcohol Industries Labour Welfare and Development Fund Act, 1950; Bombay Labour Welfare Fund Act, 1963; the Assam Tea Plantation Employees Welfare Fund Act, 1959; Iron Ore Mines Labour Welfare Cess Act, 1961.

(vi) **Miscellaneous Legislation** : The Industrial Statistics Act 1942, the Collection of Statistics Act, 1953, Industrial Development and Regulation Act, 1951, the Companies Act, 1954 and so on.

5. The legislation mentioned above is illustrative and not exhaustive. It is possible that many State Acts have not figured in the above list. They may be shown by the respective States under different heads. Since the main objects of the pieces of legislation cited above are known, it is unnecessary to provide a gist of it against each Act. The arrangement followed in presenting the legislative framework is more or less the same as is adopted in the Commission's questionnaire. It is possible that some pieces of legislation cover more topics than one from among the headings under which the entire ground is covered. They have, therefore, been classified according to their dominant coverage.

6. In addition to this labour code, voluntary arrangements which are evolved in tripartite discussions have added to the benefits which are expected to accrue to labour. In this category fall the recommendations of the Indian Labour Conference, the Standing Labour Committee and Industrial Committees. The benefits which workers got out of the Wage Board awards so far owe their origin to the tripartite decision that the unanimous recommendations of Wage Boards will be given effect to. The Code of Discipline which has given recognition to some unions, provides for the setting up of a grievance procedure, and generally promotes constructive co-operation has also been the result of a tripartite agreement. The arrangements for

1. In actual practice, so far as labour is concerned, the Labour Ministers' Conferences and the Tripartite Forums like the Indian Labour Conference, the Standing Labour Committee and Industrial Committees are used to iron out difficulties.

housing in plantations were evolved out of an agreement in the Industrial Committee on Plantations. The introduction of the workers' education scheme, the setting up of fair price shops in industrial establishments and the agreement on guidelines for introduction of rationalisation are some other important matters which have merged out of tripartite agreements.

### III

7. These and other legislative measures/tripartite decisions continue to provide the main structure for protecting workers and improving their working and living conditions. Many employers and independent observers consider that this amounts to a "plethora" of labour legislation. Some Governmental pronouncements also support this view. Workers, on the other hand, feel that the legislative protection could be improved further by extending the coverage and deepening its operations. Without entering into this controversy, it could be said that in terms of the range and content of legislation, the Indian labour law framework could compare favourably with what is available for workers in many advanced countries. It is, however, possible to argue that if labour policy had in the course of years helped the development of strong unions, part of the legislation would have been redundant. Accepting the statement for what it is worth, one does feel that a just and efficient administration of the provisions of labour laws would go a long way in improving the conditions of labour and establishing a climate for improved labour-management relations.<sup>1</sup> If such administration had been secured, some of the difficulties which labour is currently facing may not have been there; it would have also gone some way in the direction of reducing the clamour for more legislation. It is true that a very large area of labour legislation lends itself to a co-operative effort on the part of labour and management which could help public administration in its functions of enforcing legislation. This co-operative effort has, by and large, been lacking in our context.<sup>2</sup> The problem, therefore, is to find out ways as to how labour administration could be made to yield better results to those for whose benefit laws have been enacted.

8. The administrative arrangements envisaged for implementing the legislation enacted by the Parliament/State Legislatures and decisions taken by tripartite bodies at the Centre/States fall broadly under the following agencies—

- (i) The Central Government;
- (ii) The State Government;
- (iii) Local Bodies; and
- (iv) Statutory Corporations.

9. In the classification showed in paragraph 4, the Dock Labour (Conditions of Employment) Act is administered by a Statutory Board. The Employment Exchanges (Notification of Vacancies) Act and the Apprenticeship Act are administered by State Governments though there is active effort at laying down standards and co-ordination of activities by the Centre. Under working conditions, the Centre has assumed responsibility for the Mines Act, the Indian Dock Labourers Act and other similar Acts. The States administer the Factories Act, the Plantations Labour Act, the Motor Transport Workers Act, the Employment of Children Act and other protective legislation passed by State Legislatures. Local Bodies in most cases are entrusted with the administration of the Shops and Commercial Establishments Act. Legislation on labour management relations again has been the Centre's responsibility in regard to industries specifically mentioned in the Industrial Disputes Act, 1947. The Indian Trade Unions Act, the Industrial Employment (Standing Orders) Act and a major part of the Industrial Disputes Act is again administered by the State Governments apart from the legislation passed by the State Legislatures for improving the labour management relations in the State. Legislation on wages, earnings and social security provides a varying pattern for its administration. For industries for which Centre is the appropriate Government for labour management relations, the Payment of Wages Act and the Payment of Bonus Act are its responsibility. So is the administration of Minimum Wages Act in relation to the scheduled industries which are under the supervision of the Centre. For a larger area under all these pieces of legislation, however, implementing arrangements have to be made by State Governments. Statutory Corporations administer the Employees' State Insurance Act, the Employees' Provident Fund Act and the Coal Mines Provident Fund & Bonus Act. The legislation on welfare is administered partly by organisations specially created by the Central or State Governments by respective statutes. Administrative Departments also share this responsibility in many cases. For instance the funds created for the benefit of workers in mica, coal, iron ore and manganese mines etc. are utilised on the advice of Committees, specially set up for the purpose and so are the arrangements under State Governments for the administration of labour welfare, where similar funds have been built up under the statute. Miscellaneous legislation is mainly the responsibility of the Central and/or State Governments.

1. & 2. This should not be taken to mean that the Commission has reached any conclusion on the point. It is merely an expression of what is being stated before the Commission in oral evidence.

10. The passing of legislation and accepting certain resolves in bipartite or tripartite meetings and parceling them out to different agencies for implementation can hardly provide the desired benefit in real terms to the working class if the spirit of legislation is inadequately understood and the resolves accepted at the national level do not reach the units where they are expected to operate. This fact has been recognised from time to time in the reports presented to Parliament by the Central Government and presumably also in similar reports presented to the respective State Legislatures. The Planning Commission in presenting its plans to the country has emphasized this crucial aspect in almost every report. These statements require to be reviewed.

11. The First Plan, while laying down the framework of labour policy, referred specifically to the administrative aspects of enforcement and implementation. The Plan called for proper equipment and training of supervisory staff, the technicians and labour welfare officers and a review by joint committees at various levels of "developments in industry and working conditions and other matters of common interest."<sup>1</sup> It recommended the appointment of standing conciliation boards for cases involving major issues<sup>2</sup> and stressed the need of employing sanctions for securing due observance of awards/decisions of the tribunals.<sup>3</sup> On working conditions the First Plan stated.

"In order to get the best out of a worker in the matter of production, working conditions require to be improved to a large extent. The Factories Act, 1948, the Indian Mines Act, the Plantations Labour Act, 1951 and the proposed Central legislation for regulating conditions of work in shops, establishments and motor transport services, have this common object and are sufficient for the purpose. The emphasis in the next five years should, therefore, be on the administrative measures needed for the implementation of such legislation."<sup>4</sup>

The Plan then gives details of the steps to be taken for improving conditions in factories and plantations. No mention was made about the mines since it was presumed that what was said for factories would apply *mutatis mutandis* to mines also.

12. The Second Plan in commenting generally on the operation of its predecessor showed satisfaction about the changes which took place in labour condi-

tions and in the process gave credit to employers and workers in this respect. While taking note of low industrial unrest in went on to state,

"Much of what has been said in regard to labour policy in the First Five Year Plan holds good as a basis for the future. However, in the light of the socialist pattern of society, within which setting the Second Five Year Plan has been framed, suitable alterations in labour policy require to be made."<sup>5</sup>

At the same time it brought to surface somewhat inadequate implementation and enforcement of awards and agreements. It commented on the absence of provision for enforcing compliance of directives contained in awards other than those involving financial recoveries. Reinstatement of an employee or provision of an amenity awarded by a tribunal could be flouted by the employer.

"The only remedy against employer in such cases is to prosecute him under the Industrial Disputes Act, 1947, but this remedy is ineffective as the maximum punishment is only Rs. 200 for the first offence and Rs. 500 for subsequent ones."<sup>6</sup>

Thus while the approach in the First Plan was on persuasion, the Second talked of deterrent penalties. This change in approach was probably because, though improvement did take place in working and living conditions of labour between 1951 and 1956 partly as a result of increasing consciousness among workers, favourable price situation and not too difficult an employment situation and partly because of enlarging the base of labour legislation, implementation was not as effective as it should have been. Many useful suggestions were made in the First Plan for giving a social content to the requirements of law in the process of implementation. It would appear that this hope of planners could also not be fulfilled during the period the plan was operative.

13. When the new Government took power after the second general election in 1957, the Minister for Planning, Labour and Employment made a statement to the effect that the policy of his Government would be oriented to implementing adequately the legislation which has been already passed and avoiding as far as possible passing new legislation. In his inaugural address at the 15th Indian Labour Conference which followed shortly and which recommended a package deal for workers, the Labour Minister referred to the growing indiscipline in industry, the cause for which could be traced to "the sins of omission and commission of the management concerned."<sup>7</sup> In the

5. Second Five Year Plan—page 572

6. " " " " —page 575

7. Proceedings of the Indian Labour Conference, 15th Session pp 4-5.

1. First Five Year Plan—page 576

2. " " " " —page 578

3. " " " " —page 579

4. " " " " —page 586

meeting of the Standing Labour Committee, which followed, the Minister reiterated the emphasis on implementation; the committee recommended the setting up of implementation and evaluation cells in different States to supplement the work of a similar cell proposed to be set up at the Centre.<sup>1</sup> Code of Discipline was also hammered out in the meanwhile to its final shape through tripartite discussions. And yet as this constructive task was being undertaken, industrial unrest was showing a marked rise.

14. By about the end of 1959 the Code of Discipline, as adopted by the central organisations of employers and workers, was debated on various platforms interested in finding out ways for improving industrial relations. Implementation and Evaluation Cells were set up at the Centre and in a number of States. This machinery consists of an Evaluation and Implementation Division and a Tripartite Implementation Committee at the Centre and Evaluation and Implementation Committees in the States. The important functions of the E and I Committee are to examine the extent of the implementation of the various laws, agreements and awards, to fix responsibility in cases of their violations, to consider cases for out-of-court settlements, to review the working of the Code of Discipline and to maintain a two-way exchange of experience between State Level Committees and the Central Committee. While the functions as envisaged for the cells were wider, in its actual operation, mainly because of complaints about non-observance of the Code, the cells directed their activities more to see that the Code was implemented in its proper spirit. It is possible that this emphasis on the progress of the Code was mainly because under the Code any case of non-implementation could be taken up for discussion. Whatever the reasons, the general impression was that the Implementation and Evaluation Machinery was meant only for the supervision of the Code. Public forums also devoted their ire or praise to the working of the Code. It is in this atmosphere that the thinking on labour policy in the Third Plan began. In taking note of the criticism the Third Plan stated :

"The failure to implement awards and agreements has been a common complaint on both sides and if this were to continue, the Codes would be bereft of all meaning and purpose. A machinery for implementation and evaluation has therefore, been set up at the Centre and in the States to ensure observance by the parties of the obligations arising from the Code and from laws and agreements."<sup>2</sup>

A somewhat inconsistent statement appears on the next page, though it is possible to reconcile it by widening the obligations under the Code. The Plan states :

"The development of industrial relations in the Third Five Year Plan rests on the foundations created by the working of the Code of Discipline which has stood the strain of the test during the last three years. A full awareness of the obligations under the Code of Discipline has to extend to all the constituents of the Central organisations of employers and workers, and it has to become more a living force in the day-to-day conduct of industrial relations."<sup>3</sup>

15. The Industrial Truce Resolution adopted in November, 1962 during the Chinese aggression was a further attempt to strengthen the bipartite arrangements over the whole area of industrial relations. The tripartite discussions in the last five years have, therefore, been both in relation to the Code of Discipline and the Industrial Truce Resolution.

16. Towards the end of 1965 the Panel on Labour Policy constituted by the Planning Commission discussed various aspects of labour problems with a view to recommending to the Commission the approach to labour in the Fourth Plan. One of the sub-committees appointed by it considered the area of administration and welfare. Arising out of its recommendations the paper endorsed by the Labour Panel stated :

"In future emphasis should be laid more on effective enforcement of existing labour legislation rather than on enactment of new labour laws."<sup>4</sup>

This means that a full circle was completed in about 9 years, because exactly the same sentiment was expressed by the Labour Minister in 1957. Elucidating the points the Panel added that there was need for a comprehensive examination of the whole question of labour administration in the country because :

"The problems of labour administration have not been reviewed in a detailed manner in spite of the marked charges which have occurred in the size and the composition of the labour force and legislative measures undertaken to protect the labour interest."<sup>5</sup>

17. Following this thinking the Draft Outline of the Fourth Plan stated more specifically that the analysis of labour administration problems should in the following direction :

"Three sets of problems of implementation will call for special attention during the Fourth Plan. Firstly, there is room for considerable improvement in the

1. Tripartite Conclusion—1949-62—page 109.

2. Third Five Year Plan—page 252.

3. Third Five Year Plan—page 253-54.

4. Planning Commission paper (not published).

5. Planning Commission paper (not published).

administration of the legislation which has been enacted for the protection, safety and welfare of industrial workers. In the second place, important schemes such as works committees and joint management councils have made very limited progress. It is necessary to orient both workers and employers to these changes and find ways of meeting the practical problems which have been encountered. Finally, there are several directions in which execution of programmes which have a large bearing on the welfare and prospects of workers need to be strengthened, for instance, workers' education, provision of facilities for imparting higher skills and training to workers, social security and labour research."<sup>1</sup>

## V

18. The arrangements made by the Central and State Governments for the enforcement of the legislation may not be discussed. At the highest policy level, Labour and Employment is an independent Department at the Centre. In the States, the pattern varies; at times Labour is tagged on with Industry and in some cases it goes with other Departments. There is no uniformity in the pattern, though in the evidence recorded by the Commission so far a plea is made by employers, that whenever possible, the Minister for Industries should also hold the Labour portfolio. If for some reasons this is not possible, at the level of Secretary to Government at least, the Department of Industry and Labour should be under one charge. There is also a suggestion that since a greater part of the work of Labour Department is concerned with industrial relations or matters which have a bearing on the subject, the name 'Labour Department' should be changed to 'Industrial Relations Department'. The logic for the suggestion of changing the name is that by calling it 'Labour Department' the staff of the Department is so conditioned psychologically that it has to look to the interests of labour first. This conditioning is at times harmful to promoting better industrial relations. How the change in nomenclature of the Department or its combination with the Department of Industries will affect labour administration is a matter on which the working Group may like to make suggestions.

19. For administering the policies laid down and offering advice from time to time for modification in policy, the State pattern may differ from place to place. That is why the arrangements at the Centre are discussed in some detail.

20. In a majority of cases, as pointed out earlier, administration of labour laws is the responsibility of

the State Governments, the Central Government exercising advisory and co-ordinating functions. Thus, while factory inspectorates are appointed by the States, the Director-General, Factory Advice Service and Labour Institutes (who was till recently designated as 'The Chief Advisor of Factories') deals with all matters which help him to understand the working of the Factories Act and the rules made thereunder. The Directorate seeks to keep itself posted with problems of implementation from the State Factory Inspectorates and on that basis advises Governments about the action to be taken, keeping in mind the all-India picture. The Central Labour Institute and its regional counter-parts which have now started functioning are expected to strengthen the technical content of the advice rendered by the organisation. The Directorate General of Employment and Training has the same functions in regard to the administration of the Apprentices Act, 1961 and the Compulsory Notification of Vacancies Act, 1959. Both in the training and employment aspects, the organisation has been given research wings, which help the Directorate General in understanding the latest developments in India and in other countries. Labour Bureau, Simla, helps in setting standards for socio-economic enquiries to be undertaken to understand labour conditions as also co-ordinating information on Consumer Price Index Numbers which have for some time become an important area of debate in industrial relations, not so much between employers and workers but between Government on one side and employers and workers on the other. The Chief Labour Commissioner's Organisation stands on a different footing. Though it has no co-ordinating or advisory functions, it has recently started training courses for State Government officials concerned with the settlement of industrial disputes.

21. The machinery for enforcement of labour laws at the Centre consists of the following Departments/Organisations. These deal with the implementation of various statutory and other provisions in the undertakings coming within the purview of the Central Government :

(i) Directorate General of Employment and Training : Which deals with the administration of Employment Exchange (Compulsory Notification of Vacancies) Act, 1959 and the Apprentices Act, 1961;

(ii) The Office of the Chief Labour Commissioner : Which deals with a variety of labour Acts like the Industrial Disputes Act, 1947; Industrial Employment (Standing Orders) Act, 1946; Minimum Wages Act, 1948; Payment of Wages Act, 1936; Payment of Bonus Act, 1965 and administers the Workmen's Compensation Act, 1923; Maternity Benefit Act, 1961 etc. Apart from these the Office has responsibility of verifying

1. Fourth Five Year Plan—A Draft Outline, page 387.

the membership of registered unions to determine the representative character of All-India trade union federations ;

(ii) Office of the Coal Mines Welfare Commissioner, Dhanbad : Which administers the Coal Mines Labour Welfare Fund and Bonus Act, 1947; there is a similar set up for Mica and Iron Ore Mines;

(iv) Office of the Chief Inspector of Mines : Which implements the Mines Act, 1952.

Apart from these, the Statutory Corporations set up by Government like the Employees' State Insurance Corporation and the Office of the Central Provident Fund Commissioner have their respective responsibilities for administration of social security arrangements.

22. All States have set up organisations for the administration and enforcement of the various labour laws which are in force within their territories and for the collection, compilation and dissemination of statistical and other information relating to labour. All States have appointed Labour Commissioners for the purpose of administration of labour laws and welfare activities in their respective areas. In the discharge of their functions, Labour Commissioners are generally assisted by Joint Labour Commissioners, Deputy Labour Commissioners and/or Assistant Labour Commissioners and Labour Officers. Most of the States have also appointed (i) Chief Inspector of Factories and his inspectorate; (ii) Chief Inspector of Boilers and his inspectorate; (iii) Commissioner for Workmen's Compensation under the Workmen's Compensation Act, 1923 and (iv) Registrar of Trade Unions under the Indian Trade Unions Act, 1926 for administering the respective pieces of legislation. The Labour Commissioner often combines the functions of some of these officers enumerated above. In several States, the Labour Commissioner is also the Registrar of Trade Unions under the Trade Unions Act, and the Chief Inspector of Factories. But the practice of separating the posts of Labour Commissioner and the Chief Inspector of Factories has now been increasingly in vogue. In some States the Chief Inspector of Factories is an authority independent of the Labour Commissioner and in others the latter exercises his supervisory jurisdiction over the former. Under the Industrial Disputes Act, appropriate Government are required to set up the conciliation and adjudication machinery. The conciliation machinery consisting of the Labour Commissioner, Deputy Labour Commissioner and Assistant Labour Commissioners plays a vital role in maintaining industrial peace and prevention and settlement of disputes. The pattern of this part of the administrative machinery differs from State to State depending upon the industrial development in the State as also the stage of development of employers' and

workers' organisations.

23. In the current context as also of the future when industrial development is likely to acquire a tempo and labour is likely to become more and more aware of its rights and privileges, persons required for manning the labour administration machinery may have to be equipped for new tasks; there will have to be an increasing number of them. This is one of the warnings being sounded in the evidence before the Commission. It is also being mentioned that the task of the labour administrator in industrial democracy is not merely to see to the compliance with the legal provisions under the various Acts. It is more to create the necessary atmosphere in which the obligation and responsibility under law are understood and accepted, and to create the necessary consciousness for the observance of these provisions. It should also promote the activities and arrangements which aim at improving the efficiency of implementation of statutory obligations. While it is true that in this area more than any other, the social and political environments in the community as a whole will be reflected in the attitudes of employers and workers, it is equally possible that with increasing organisation of labour, it will set pace as to what should happen in the community. And it is this possibility that will have to be kept in mind in equipping personnel for labour administration.

24. Yet another part, but a separate one, of the industrial relations machinery will be industrial tribunals at various levels. It is not the intention to cover them in this discussion.

25. For reasons stated, it will be useful if each Working Group, for States which it would cover, supplies information about the present structure of labour administration in a chart showing responsibilities of various designations and the number of officers in position. In the same chart if the 1967 position is also indicated, a view can be taken as to how the machinery has been developed in response to the needs of the situation between 1947 and 1966.

26. Barring the Indian Trade Unions Act, 1926 the provisions of most of the labour laws impose one obligation or the other primarily on the employer. These obligations may be in regard to conditions, of service, working conditions, maintenance of sanitation and hygiene, up-keep of the work place, remuneration to workers, welfare facilities, safety measures, notification of vacancies, training of apprentices and the like. Each one of these obligations affects different employers differently. Implementation of the legislation in this field particularly depends on the willing acceptance or otherwise of such obligations by the employer. To understand the limits of this acceptance an analysis of the procedure for evolving labour policies by the

Central and State Governments is necessary. The Central arrangements are discussed below in some detail, since it is understood that these obtain with some minor variations in different States also.

27. In the Indian system, the evolution of most of labour legislation or voluntary arrangements has been through tripartite consultations. Certain measure of willingness on the part of Governments, Central and States, employers, public sector and private sector, large or small, and workers could thus be presumed. Since as stated earlier, a major responsibility for implementation is rightly fixed on the employer, it may be useful to discuss that component of the tripartite first. Communications within an employers' organisation being what they are, it is possible that the limits of acceptance or compliance with the provisions of the law will vary depending upon the nature and extent of consultation within the employers' organisation, the size of the employing unit, its location, the closeness of the employer with the Central organisation, apart from his capacity to provide the minimum facilities required by the Act. Specifically it may also mean, approaching the employer group sectorwise or according to size, and also according to whether the sector and sizes excluded from the tripartite could say that obligations accepted by employers' organisations need not be necessarily binding upon them. Since this argument was at one time heard from the public sector, arrangements have recently been made to give the units under it a proper representation in the tripartite. The problem of size has however not been solved. Small units can still argue that obligations cast on them on the same basis as those on large size units make their working uneconomic. Even so a majority of employers would accept these obligations, though, in their assessment the obligations, at least some of them, may be an avoidable burden. No one, presumably, wants to be on the wrong side of the law. In a minority of cases it is possible that law is objected to both in its letter and much more so in spirit. It is these cases which make news and create an impression of ineffective implementation. At least this is the impression which employers wanted to convey to the Commission so far. (The problems of small units and the public sector are separately discussed later).

28. A factor which is important in getting full benefits of labour legislation for workers and which is missing in the Indian situation is a strong and united trade union movement. Even where unions are strong, their strength is currently used for securing more and more real benefits to workers. It is doubtful whether working conditions come in as an area where unions are prepared to argue with employers for getting redress. Only in cases where a demand is made by an employer

for adjusting work-load will complaint regarding working conditions from unions come to the employers' notice. Excepting cases of non-implementation, where money or employment is involved, trade unions are often reluctant to approach employers for enforcing compliance.

29. This apart, there is the general problem of communication and limits of acceptance in unions also, somewhat more complicated perhaps because of shifting loyalties to a union among the rank and file of workers. Also as in the case of employers, many workers' organisations are either independent or affiliated to federations other than those invited for tripartite consultations. With the limit placed by Government on federations of a minimum membership to qualify for consultations, this problem will continue to remain unless trade union unity which has eluded union leaders so far becomes a future reality.

30. On the side of Government again, the problems posed can be discussed in a similar way. Certain obligations are accepted by Government but when it comes to giving a concrete shape to them, there have been cases where Government has faltered giving the impression that what has been suggested by one Ministry cannot necessarily be the view of the Government, though in tripartite meetings the Ministry is looked upon as the representative of the Government. This may happen within a Government, Central or State. But the problem of communication may also be as between the Labour Ministry at the Centre and Labour Departments of State Governments. But by and large this latter problem has not been faced so far in any significant form, though one need not take it for granted that this will not arise at all.

31. It is within these limits of acceptability that implementation of labour policy i.e., labour administration, has to be viewed. Legislation and voluntary agreements have to be treated differently in this context. Whether there is acceptability or not, legislation has to be followed, since most of the legislation does contain provisions for imposition of penalties and prosecution for non-observance of obligations; not so is the case with the latter. A view is often expressed that the writing of penalties in a legislation gives it the character of persecution—prosecution in case of non-compliance. Labour legislation being mostly social in character, it should develop its sanctions through the process of education. According to this view, persuasive methods yield better results and they should be adequately used. The other view is also equally strongly put forward, namely, that irrespective of penalties which exist in the law today, legislative requirements have been bypassed; penalties laid down not being deterrent enough. Employers and agencies for imple-



mentation are often alleged to be hand in glove with each other. And in this allegation, because of the light penalties imposed by judges when a default against an employer is established, even officers of the judiciary are not excluded. It may be useful to examine in each State how many of the cases of non-compliance reported to Government are actually sanctioned for legal action; and in cases where default has been established in the court, the nature of penalties imposed for such default. The general impression one gets particularly in discussions with the labour groups is that for various reasons prosecutions are not frequent nor are penalties such as would deter the recipients of these penalties from defaulting again.

32. Cases have been brought to the notice of the Commission where after legal action has been initiated by officers in consultation with Government, Government has for unknown reasons, changed its mind and officers have been asked to withdraw prosecution. Such cases may be rare, but their occurrence is disturbing. Apart from the impression of vacillation on the part of Government, which such withdrawals create, they have a bad psychological effect on the officers at whose instance the prosecution was initially launched. A plea on behalf of such officers that prosecution when sanctioned should be allowed to take its course unhampered if the implementing authority has to retain its respect in the public eye would presumably have weight. It will be useful to know from Governments in the region the frequency of such withdrawals.

33. But whatever be the machinery for detecting non-implementation and the nature of penalties, once non-implementation is established, it goes without saying that just as the frame-work of legislation and voluntary arrangements is developed through a tripartite effort, supervision over implementation should also have a tripartite character, though of a different type. This aspect is now being increasingly realized by the consultative institutions created by Governments. Indeed, tripartite discussions are, in recent years, devoting much more time to implementation than they used to before. The main responsibility for observing compliance with law/awards/settlements/agreements, as stated earlier, will be of the employer, though such of it as is required to be borne by workers' organisations will acquire significance in time to come. The role of Government will continue to be important particularly in the matter of creating/strengthening a permissive type of machinery to which complainants could come for redress. While such an arrangement will work where the industry, both labour and management, is organised, in small units and in unorganised sections of workers, greater vigilance on the side of Government will still be necessary. Problems of labour

administration in such units, as have been brought to the notice of the Commission so far, arise for the following reasons:

(i) In many matters small units are given exemption based on the number of employees engaged. Such exemption is reported to be exploited by the employer by showing a worker-strength below the exemption limit even when the number of employees is such as would take him outside the exempted category.

(ii) In small units breaches of the Factories Act, particularly, are quite common. It is alleged that at every step some provisions or the other of the Act gets involved. There may be violations even without the management being conscious of it. Workers either do not care about the violation of these provisions. As a consequence, there is no pressure from workers for their implementation.

(iii) The inspecting staff as referred to earlier is inadequate.

(iv) In many cases smaller units are dispersed over a wide area making inspection difficult.

(v) Financial difficulties at the employers and also come in the way of implementing labour legislation. As most of these units operate with limited funds, there is a pressure on the management to utilise these funds in more productive channels.

(vi) Because of different laws being administered by different authorities, the entrepreneur-manager has to satisfy these diverse authorities. On many occasions this becomes difficult, as the time involved can be put to better use by the manager.

(vii) The employer may try to evade inspections and often obstruct the work of the inspectorate. Records may not be maintained properly. In many cases, because of the standard of the education of the entrepreneur, the significance of maintenance of records may not even be understood.

(viii) Except in the case of a dispute with management, workers rarely bring to the notice of the labour inspectorate violations of legislative provisions. Workers themselves are ignorant of the statutory protection they have; in many cases where this is known they may not care to avail of it.

34. It has also been urged that the Commission should distinguish between cases of genuine hardship in small establishments and those where an employer is wanting to deny workers the benefits available under the law by sub-dividing his unit into smaller parts in order to evade legal provisions. In the former case an employer may be wanting to operate on a small scale as a matter of necessity; in the latter, the intentions of the employer are not above board. It should be the responsibility of labour administration to see that remedies should be tried out for avoiding such

evasions.

35. Another area where difficulties are alleged to have been experienced is units in the public sector. The argument that public sector undertakings are not based on profit motive and are socially oriented has been advanced to seek exemptions from certain legal obligations. In some cases the argument is that the privileges enjoyed by workers in totality are better than those enjoyed elsewhere. Neither of these arguments can be a valid justification for seeking exemptions from specific legal requirements, which in most cases lay down the minimum requirements only. If what the undertaking has already provided more than meets the legal requirement, the question of seeking exemption would not arise at all in the case of provisions relating to safety, working conditions, welfare, sanitation etc., nor can exemptions be justifiably sought from certain specific provisions on the ground that in regard to certain others, the establishment has provided much more than the legal requirement. Profit or loss has to be worked out on the basis of costs which take into account the requirements of legislation. The argument that public sector units should operate on no-profit basis itself is also untenable on the consideration that public undertakings are expected to create a surplus which helps them to develop further. In fact the surpluses from such undertakings have been considered to be one of the sources of plan finance. The social-orientation argument again cannot be stretched too far in favour of claiming exemption under labour legislation because by hypothesis labour legislation itself has a social orientation. The stretching of this argument would mean that what is given to labour as a matter of right by legislation is denied under the spacious argument that the total output of the public sector has to be generated on socially oriented considerations and labour should not claim what is due to it under statute. Also when this differential treatment was advanced on behalf of the public sector at the time when a total view was taken in the Second Plan, it was made clear that "... administrators handling such undertakings have to be specially watchful of labour interests".<sup>1</sup> This emphasis was reiterated in the Third Plan.<sup>2</sup>

36. In spite of the declared objectives of Government, public sector plants appear to have been managed in such a way as to attract a good deal of criticism in this respect. This matter came up for discussion in a number of meetings which the Labour Ministry held with the Heads of public sector undertakings in 1962, 1963 and 1964. The Estimates Committee in its 52nd

Report (1963-64) recommended that a periodical review by the administrative Ministries and the Ministry of Labour and Employment is necessary to ensure that the undertakings comply with labour laws. The Heads of the public sector undertakings also, conscious of the need to give special attention to this problem, recommended in 1963 that "there should be an annual review of the position regarding the implementation of labour laws in the public sector undertakings. At the plant level such reviews should be conducted by the State Labour Commissioner or the Chief Labour Commissioner in cooperation with the General Manager and at the Government level, jointly by the Ministry of Labour and the Employing Ministries concerned."

37. Case studies of industrial relations and implementation of labour laws in public sector undertakings undertaken by the Implementation and Evaluation Division of the Ministry of Labour and Employment<sup>3</sup> suggest that the position concerning implementation of labour legislation in public sector undertakings has been generally satisfactory, but some instances of inadequate observance of safety and welfare provisions have been noticed. It was found that the defects noted are neither intentional nor were they major lapses; they could be rectified with some more attention. While these arrangements are expected to improve the situation over time, the fact that investigations were necessary to establish whether public sector units observe their statutory obligations is itself a comment on the state of affairs in them. It is reported that managements are faced with procedural difficulties in obtaining financial and other sanctions from their principals in distant places, a disadvantage not suffered by private undertakings. There is also the difficulty of following a policy suitable in one area for fear of its repercussions elsewhere. The managements are therefore a bit hesitant to take early decisions and often express their helplessness. It is stated that given the necessary authority and the will on the part of local officers to exercise that authority, a great deal can be done to eliminate causes of conflict. In addition, among the suggestions which have been made to improve the situation are (i) strengthening of personnel departments, (ii) fuller use of the services of labour officers and conciliation officers, (iii) prompt attention to the grievances of workers, (iv) greater recourse to voluntary arbitration in the settlement of disputes,

3. Such case studies have been completed in 20 public sector undertakings. Five studies are in progress. To provide a comparative picture the Implementation and Evaluation Division has conducted similar studies in a few selected units in the private sector also.

1. p. 572—Second Five Year Plan. Also see p. 577.

2. pp. 253 and 273.

(v) satisfactory promotion procedures and (vi) effective working of the machinery of joint consultation. On the basis of information available, the Working Group may examine the suggestions and advise how they could be implemented.

38. The responsibility for administration of labour laws is shared between the Centre and State Governments. As mentioned earlier, at present, the administration of labour laws for Mines, Railways, Banks, Life Insurance Corporation, etc. falls in the sphere of the Central Government, whereas all undertakings other than those coming under the Central sphere will be under the State jurisdiction. The growth of new industries like steel and oil, mostly in the public sector and located in several States, has given rise to certain new problems in labour administration. Some of these industries fall in the State sphere, but are under the management of Central Government or of a Corporation set up by the Centre. To avoid complications which are likely to result in the event of non-uniformity of working conditions according to practices in different States, a demand has arisen that industrial relations in these industries should be brought within Central jurisdiction. It is also suggested that certain fields now falling under the jurisdiction of the Centre should appropriately be transferred to the State machinery. For instance, mica mining is an industry for which the appropriate Government will be the Central Government, but a factory processing mica under the same management and in the same neighbourhood will be supervised by the State Government. It has been contended that bringing both these within the purview of the same authority, preferably in the State sphere, would make the enforcement more effective. Under the present arrangement, it is possible in the case of disputes arising in the case of such composite units that industrial relations machinery set up by the Centre and the concerned State may take a different view and create conditions under which management would be difficult. Cement/iron and steel is another instance where authorities can be different; cement/steel factory will be under State jurisdiction whereas the raw material for the factory i.e. quarry/ore, a part of the composite unit, will be under the Central authority. The Working Group may consider how problems in labour administration of this nature can be best handled.

## VII

39. One may now deal with more specific areas of labour administration. Realizing the importance of the subject, Shri Ram Centre for Industrial Relations devoted its Second National Seminar on Industrial Relations in a Developing Economy to 'The Administ-

rative Dimensions of Labour Laws'. The Seminar had a fair representation of employer and trade union groups with participation by Central and State Government officials and persons academically interested in labour problems. Since the conclusions of the Seminar may be of interest to the Working Group.

40. In discussing the problems of administration, apart from the working of the various offices under the Ministry/Department of Labour, the Ministry/Department itself has been a subject of some comment. Some observations on this point have already been made. It has been suggested in the evidence before the Commission so far that Labour Minister/Department, though it may have the last word in labour matters in theory, has to bow down very often to the dictates of Ministries which are considered to be of a more prestigious type. Conflicts arise due to the very nature of the functions of the Labour Ministry/Department with either the Employing Departments or Departments of Finance Industry etc. The experience in States narrated mainly by trade unions is that in such conflicts the Labour Department is helpless. In matters where departmental undertakings are involved, the Department of Labour is singled out for criticism as if it is not a part of the Government. It is also claimed that in many cases the Labour portfolio is held by a Junior Minister and in case a senior holds it, he will be given other portfolios. In either case, interest of labour suffers because of lack of weight attached to the views of a junior or inadequate attention paid by the Senior Minister to the work of the Department.

41. Two important functionaries in Government at the official level dealing with labour are (i) the Secretary to the Department and (ii) the Labour Commissioner. In many States, Labour Secretary also attends to the work of other departments entrusted to him. Here again, because of the somewhat heavier responsibilities in these other departments, labour matters at that level acquires secondary importance. Added to this, the entrusting of Labour Commissioner's office to a service officer makes it difficult to establish a continuity in that office because of the officer's eligibility for transfer which again is detrimental to problems of labour administration. What is true of the labour portfolio at the Ministerial level is also alleged to be true at the level of Labour Secretary/Commissioner. Because of the thankless task which the Labour Secretary/Commissioner is required to perform, this has turned out to be an unwanted responsibility. It is possible that in many States continuity is maintained of the person who has been entrusted with Labour Commissioner's responsibility. But it would be useful if the State Governments provide information about the changes which have taken place both at the level of Labour Secretary and

the Labour Commissioner in the last 10 years. If such information establishes the point that Labour Commissioner is under frequent orders of transfer, could the Working Group make suggestions as to how continuity should be maintained? It is also claimed that as a result of the inadequate status given to Labour Commissioner within the hierarchy of services, the officials dealing with labour develop somewhat of an inferiority complex in dealing with matters connected with other Ministries' Department's. It will be useful to examine this point also.

42. Apart from the Labour Department proper, there have been comments/criticisms regarding the working of industrial tribunals, delays involved in getting disputes settled thereon, the personnel of tribunals and the manner of appointment of these tribunals and also the authority which should be mainly concerned about these appointments. Since these are matters which are being examined separately, no detailed reference seems to be necessary.

43. Another aspect which is organisationally more connected with the office of Labour Secretary and Labour Commissioner is the working of the Factory Inspectorates. In this case also, the comments range from inadequacy of the inspectorate, and this is accepted on all sides, to the basis on which the inspectorate should function in the years to come. Since this matter also is under a detailed discussion separately, the Working Group may not deal with it. A separate paper is being drawn up on the basis of material supplied by Chief Inspectors of Factories of different States. This will be sent to the Working Group for such comments as it would like to make.

44. Then there is the larger area of comment/criticism which more directly concerns the office of the Labour Commissioner—the work relating to settlement of disputes and registration/recognition of unions. Observations have been made on the inadequacy of inspectors under the Payment of Wages Act and the ineffective way in which Minimum Wage legislation has been administered. But, by and large, the major portion of criticism is on the working of the conciliation machinery. This aspect requires to be gone into in some detail.

45. The comments on conciliation machinery—which have been brought before the Commission—fall mainly under the following heads: (i) delays; (ii) attitude of parties towards conciliation; (iii) the inadequacy of conciliation machinery; (iv) the quality of personnel; (v) the powers of conciliation officers; (vi) the assessment of the working of the machinery; and (vii) suggestions for improvement. These are discussed below in that order.

## (i) Delays

46. Ineffectiveness of conciliation machinery is sought to be established both by employers and workers because of delays involved in the process. For workers "justice delayed is justice denied". On the employers' side delay becomes objectionable because it allows pressures to be built up and in a way coerces the employer into a settlement. This question requires to be examined from all angles. There is, on the other hand, the argument that all delays may not necessarily be bad. It is possible that even as a dispute is pending before a conciliator, parties get together and try to settle it outside the conciliator's chamber. Whether the fact, that the dispute is with the conciliator, itself encourages parties to get together and settle the matter will have to be decided in the light of the generally of such settlements. But the various causes of delay require to be gone into. It often happens that when a conciliator handles a case, he has to seek information from the parties. On many occasions, the compilation of such information disturbs the time schedule of the conciliator. On other occasions adjournments are sought both by employers and workers. Such postponement is by mutual consent, and probably the period of postponement is not taken into account for counting the period during which conciliation has to be compulsorily completed. There are, however, a fair number of cases where one of the parties seeks time and the other acquiesces into this adjournment though without formally agreeing to it. When delays are thus analysed according to causes, it may be possible for the Working Group to take a view of how such delays could be avoided.

47. A Conciliation Officer does not have any authority to give something which is in the nature of a binding on both the parties. Clothing him with such powers may attract other consequences which are detrimental to his functions on the one hand and the dislike by the parties which appear before him on the other. He has, therefore, to use his powers of education, persuasion, identification and transformation to see whether he could effect a reasonable determination of the points in dispute. In many cases he has to educate both sides, and equally himself, about the real nature of the demand and all educative processes do involve an element of delay. Attempts have been made through tripartite decisions and also through instructions by Governments from time to time to reduce these delays. It may be worthwhile to examine the consequences of this pressure for reducing delays on the efficacy of conciliation. Of the cases handled by conciliators will it be possible to say in how many the officer did not get credit for settlement because the time

element worked against him ?

## (ii) Attitude Of Parties Towards Conciliation

48. The common complaint has been the conciliation proceedings are merely a hurdle to be crossed over for reaching the next stage of the industrial relations machinery. This attitude to conciliation is not uncommon, it is argued, within the conciliation machinery itself. It is also stated that the width of interest and depth of understanding which can make conciliation a success is conspicuous by its absence in the personnel handling conciliation proceedings. This is a comment coming both from employers and workers and is somewhat inconsistent with the argument on delays put forward by them. It seems to be an unduly harsh assessment of the pains which the conciliation officer may be taking in settling a dispute, though it may happen that by judging the attitude of parties the officer may be closing a case too soon for the liking of one party or the other.

49. It often happens that since conciliation is a formality to be gone through, parties do not send persons who have a final say in the termination of a dispute. Very often representatives who attend on behalf of either side are briefed merely to bring the officer's suggestions to higher seats of authority in the respective organisations to seek further instructions and act merely as postmen. This frustrating experience can go on endlessly, all the time parties themselves suggesting adjournments for valid reasons. On occasions as pointed out earlier, labour organisations enter conciliation and delay proceedings merely to build up public pressure for their demands or for resisting demands made by the other side. Same may be the case with employers.

50. There are also instances when parties have their genuine internal difficulties for reaching settlement in conciliation. While the award of an industrial tribunal can be a sufficient justification for claiming relief under the tax laws, voluntary agreements with the unions or settlements through conciliator's effort do not have the same immunity from taxes. Shareholders also may accept more readily a tribunal award than an agreement by management or settlement in conciliation. A trade union with a marginal advantage over its rival in terms of its influence on workers may find it convenient not to agree to a fair compromise which is liable to be exploited by its rival. It is also on record that awards by tribunals are preferred to 'consent awards' for the same reason. There may be cases on both sides where an employer by insisting on going to the next stage in the industrial relations machinery has actually incurred a heavier burden on himself than what the conciliation officer had suggested by way of

compromise or a union had to remain satisfied with a more unfavourable contract than the one which it rejected at an earlier stage. It may be useful for assessing the real nature of the attitude of parties to cite instances within the knowledge of the Working Group where these may have occurred.

## (iii) The Inadequacy Of Conciliation Machinery

51. The inadequacy of conciliation machinery has been complained of on all sides—Government, employers and workers. The obvious difficulties of strengthening the machinery are mentioned by Government, whereas the approach on the side of employers and workers has been that in this important area of implementation of labour legislation inadequacy of officers should not be tolerated. As pointed out earlier, if it is possible to indicate for each State how the industrial relations machinery has been strengthened in response to the number of cases to be handled by this machinery, some conclusions could possibly be reached. In suggesting this course, its limitations have been recognised. It is accepted, for instance, that mere comparison of cases can be no guide to increasing the number of officers. Workload has also to be judged in relation to the increase in other responsibilities of these officers as well as the intricacy of cases they have to handle as well as the demand content of each. If some assessment of this aspect is readily available, it will be useful.

## (iv) The Quality Of Personnel

52. Apart from the question of numbers, the quality of personnel engaged in this work has also been a subject of comments. It has been argued that conciliation tends to be mechanical, because the officer does not have any important suggestion to offer during the course of the proceedings. He has inadequate knowledge of the industry as also of law, though in fairness to conciliation officers it has been said that for the law which they are required to administer i.e. the labour law in general, the knowledge of the officers is not inadequate. What is deficient, according to employers, is legal discipline which an officer will get only if he has undergone legal training. It is a point for consideration whether this is a very serious handicap in appreciating the weight of facts tendered in evidence. In many cases Conciliation Officers have been found wanting, it is said, in the philosophy of conciliation itself. In this region of comment, there can be considerable amount of vagueness and the so-called philosophical aspect of the officer's work can as well be ignored. But a more far-reaching criticism has come from some employer and worker groups. In their view, even where conciliation officers are in adequate numbers,

have the right qualifications, and proper perspective in judging matters they have to deal with, the machinery has proved ineffective. This may be out of deep-seated prejudice for Government interference on the part of a section of employers on the one hand as also because of the advocacy of direct action on the side of many unions. Whether there should be some intervention or not by a public agency is, at this stage, an open question. But if it is ultimately decided that some intervention is necessary, it would be useful if the Working Group could suggest some steps for improving the quality of conciliation machinery.

#### (v) The Powers Of Conciliation Officers

53. A part of the alleged failure of the conciliation machinery has been attributed to lack of powers of a conciliation officer and inadequacy of his pay and status within the hierarchy of Government vis-a-vis the parties which are required to appear before him. It has been suggested that apart from enhancing his powers by way of securing attendance of parties at the proceedings and production of documents and the like, the status of the officer requires to be enhanced. And one way to judge the status is through his pay packet. In considering this latter argument, it may be worthwhile assessing the effect of any recommendation about salary adjustment on the resources available to Government for labour administration. It is likely that these will continue to remain inelastic for a long time. Possible success of special pleading on behalf of a set of officers will depend on Government's assessment of the total repercussions of the steps it will take on other comparable services. The other consideration to be taken into account may be that even if Government is in a position to improve pay scales of these officers, will this improvement by itself bring the parties the officer is dealing with, to the discussion table? If lower salary is the main consideration, there will always be persons, with whom the officer wants to negotiate, beyond the reach of his improved emoluments. The same argument can be advanced in case of additional powers to be given to conciliation officers. Perhaps production of relevant documents could be secured through this process as also the presence of an unwilling person. But whether the mere presence of the latter will be of any help in conciliation is again doubtful.

#### (vi) The Assessment Of The Working Of The Machinery

54. About the assessment of the utility of conciliator's work, there has been a mixed reaction. In this connection, statistics can be better guide. A detailed analysis of the working of the industrial relations machinery at the Centre undertaken recently (Appendix II of this report) shows how arguments

about the ineffectiveness of the machinery can be untrue. In reply to the statistical argument, it has been suggested that in many cases where success is reported through conciliation, parties themselves reach an agreement outside the conciliator's chamber and seek his endorsement in order to make it binding on workers who may not be parties to the agreement through the union which has hammered it out. While this could be an important limitation in understanding the weight of the statistics as may be available with Governments, it will be useful to bring them together just the same in order to see whether some assessment of conciliator's work could be made on that basis.

#### (vii) Suggestions For Improvements

55. Some of the suggestions for improving the machinery have already been referred to. Others which have been repeatedly mentioned are : (a) the conciliation officer should have powers to adjudicate in regard to disputes in small units or in matters which do not involve high stakes ; (b) the officer's assessment about reference of a dispute to adjudication should be respected ; (c) the implementation of settlement reached in conciliation should also be the responsibility of the same officers; (b) and (c) would mean that a conciliation officer should combine in himself the functions of a conciliator, adjudicator and implementator. These are also points which the Working Group may like to consider.

56. There seems to be a practice in some States to seek conciliation officer's confidential reports about the attitude of the parties towards his effort to bring about a settlement. In some cases these reports are brought to the notice of the parties. The result is that a frank assessment of the case at conciliation stage through reports which are not to be made public becomes difficult ; and so does the future work of the officer because his attitude towards one party or the other, howsoever objective it may be, gets known and the party commented against nurses a grievance which is not healthy for future settlement of disputes. Even a more difficult situation is created when a conciliator seeks to settle a dispute in a public undertaking. In such cases when the dispute is not settled, the officer's comments on the attitude of management or trade union concerned in it are sent through the Labour Department and the Employing Department to the same officer, about whose attitude the report is made, for comments. If the report is in favour of management, conciliator's comment on workers' representatives is made known to workers to buy peace. In some cases, it is complained by workers that the officer against whose attitude conciliator has taken a stand is given a chance to plead his case without the knowledge of the

conciliator and this plea gets accepted *ex parte* because of the alleged weakness of the Labour Department/Ministry. In the process, the position of the conciliation officer gets weakened still further. Working Group may consider whether this situation prevails in the region and if it does how it could be remedied.

57. Discretionary powers which vest with Government have come in for a major share of criticism. Their misuse has been commented so adversely by trade unions that some went even to the extent of suggesting that existing powers of Labour Department should be curtailed. Their claim is that the discretion which vests in the Labour Department is used to labour's disadvantage. A more general complaint, however, seems to be that the Department uses its discretionary powers to protect trade unions of particular brand. In the case of other unions, Governments have on many occasions reserved for themselves the right of judging the merits of each demand and referring only some of them to industrial tribunals and with holding others. The implication is that in case of unions which do not find favour with Government, it is only the minor demands which go in for adjudication, if at all. They also feel that either the entire charter of demands should be sent to adjudication or none. In any case, before deleting any demand from a reference, unions should be allowed an opportunity to say before the highest Governmental level why the demand was made.

58. At pre-conciliation level, the administrative discretion is involved in the matter of treating the dispute, whether to encourage informal mutual settlement or without such encouragement even decline conciliation proceedings or accept the dispute in conciliation. At higher levels of Government, there is discretion whether to declare a particular industry a public utility service for the purpose of Industrial Disputes Act and the discretion to amend/modify an award. Reference or Non-reference of a dispute to a particular agency has its impact on industrial relations, influencing union policies, employers' attitudes, problems of inter-union rivalries, nature of political influence of trade unions, employers and so on. In a number of cases there are demands for instituting a Court of Enquiry. But these are generally rejected, the grievance in such cases being that the public is not adequately educated about the merits of the case. This, however, does not appear to be a serious argument.

59. It has been argued with equal force that the alleged misuse of discretion is not a reality. If certain demands get left out, it is because there may be existing agreements/settlements/awards governing them. It may also be that as a matter of prestige such demands

are put forward again by rival unions even before the awards/agreements etc., run their course. Since questions of prestige of this type cannot be a guide for governmental action, selective references may take place and with justification. The argument about "favoured" unions is also not reported to be valid. In every debate on demands for grants, this point is made in the Parliament by members of the opposition and refuted by Government with statistics at its command. (The same may be the case with State Legislatures). In fact, many trade unions have put forward a plea that the so-called "favoured" unions have been getting a raw deal at the hands of Government in the sense that because of the instrument of agitation which is always in the hands of unions alleging step-motherly treatment, Governments have, at times, found themselves shy of granting references to tribunals where they are due in case of the "favoured" unions. Some statistics have already been received from the States which have been visited so far by the Commission. It should be possible for others also to supply information which will put the alleged discrimination in its proper perspective.

60. One argument which has been put before the Commission from the Government side is that at the secretariat level decisions have been taken purely on merit. The rules of the game which have been settled in tripartite meetings are followed. Cases where discretion is wrongly used at a level higher than the secretariat are indeed rare. But it is such rare cases which perhaps strike headlines, so to say. They become more an issue of prestige. The situation is made worse by public men, who are near the seats of power, claiming that their word will be listened by Government more readily and improving their popularity thereby. There is also a feeling among workers, justified perhaps, that it is always wise to approach Government for references through persons known to those in power. In fact, when rise in membership of one trade union federation in a State was brought to Government's notice, the reason mentioned for this rise was precisely this. It may be necessary for the Working Group to examine this issue on the basis of facts available with different State Governments.

61. Discretionary powers with Government operate, it is alleged, more harshly against labour in the case of public sector undertakings, especially where the Central Government is involved. Delays in Central Government in processing suggestions by the concerned State Government, if it happens to be the appropriate authority, add to dissatisfaction inherent in the situation. Many cases arise where the State Governments do not act without a signal from the Centre. And at the Centre, the procedures of consultation are so rigid that the formalities take a long time. In the last three years,

the Ministry of Labour at the Centre have taken steps to expedite the process of clearing such references, but the full effect of these steps is yet to be felt. Even after these formalities are gone through, unions allege that in a majority of cases, it is the view of the employing Departments which prevails. Merely to cut out delays, one State Government has suggested to the Centre that the convention of consulting the Centre before making references to adjudication in central public sector undertakings located in that State will not be respected if delays occur beyond a certain limit.

62. Cases have been reported that discretion has been used even against the registration of unions, though such registration does not give any special powers in terms of recognition to persons who seek to come together. On occasions, issues which are not germane to registration, like the observance of the Code of Discipline, Industrial Trade Resolution, etc. are raised in order to delay the issue of a certificate and even to deny it. This refusal to register seems to be, if true, going beyond the provisions of law and much more so against its spirit.

63. Administrative discretion is stated to be used very liberally and sympathetically, according to some employers, at the level of the Registrar of Trade Unions to accommodate unions by and large. Another area of implied administrative discretion is in the verification of union membership before deciding whether a dispute may not be taken into conciliation. For a union, a reference to conciliation is a matter of great concern as this gives it a lease of few years. But the scrutiny for a membership certificate being done at a low level and with all possibilities of subjective manipulations entering in it leaves room for discontent. Also, instances would not be lacking, it is alleged, where the same demands put up by two or more unions have been referred only in the name of a favoured union. This might have had its effect on the growth of only a certain brand of trade unions in the country.

64. The qualitative character of administrative discretion may vary from region to region depending upon the nature of administrative traditions prevailing there and the political group in power. A pertinent question in this regard is: "How far would it be satisfactory to leave important and strategic areas of industrial relations to the subjective factor of individual official/governmental discretion?". A corollary of this would be: How far could this be codified, if at all?

65. Even against the background of inadequate interest shown by unions for enforcing compliance with awards/agreements etc. which are of a non-monetary character, there is a plea that unions should function as supervisors for implementation of labour laws and enforcing compliance with awards. If this plea is

accepted, situation will perhaps improve only in the organised sector of industries and it is this sector which has a comparatively better record of compliance with legislation and the obligations consequent on such legislation than units which fall into the category of unorganised sector of industry. The problems of this sector have already been posed earlier. Arising out of this need, can a solution be the expansion of the administrative set-up for enforcement commensurate with the growth of the small scale unorganised sector of industry and concentrating on this area in preference to the comparatively larger units where by assumption the workers should be expected to take care of themselves. The guidance of Working Group on this point will be useful.

66. A point mentioned in the course of evidence before the Commission so far as that a good part of labour legislation may not self-enforcing. Labour organisations may not be equally strong everywhere to enforce compliance. But for reducing the burden on implementing authorities, the Commission should consider the possibility of giving workers' organisations the statutory authority to approach courts direct for redress. The present arrangement under which the parties have to approach courts only through Government causes avoidable hardship to unions. It also leaves room for a charge that Government's discretion is used in its political interest.

67. Argument about giving unions an authority to approach tribunals direct rests on the assumption that unions can successfully play this role. A point which requires consideration is whether in the present context of multiplicity of unions and rivalries among them this power will lead to vexatious prosecutions. Also assuming that trade union unity will be secured, will it be worthwhile to give this power to parties? The possible argument against this is that one may have to pass even through this process to make the parties realize that in terms of organisational build-up, such vexatious proceedings do not pay. There will have to be an arrangement by which such powers could be exercised only by the representative union, except in case of individual complaint, but this again raises the basic question of how the representative union should be named. Also, it would not be appropriate for the Government to divest itself of its responsibilities in this matter. It is therefore, understood that the arrangement by which unions should go to tribunals direct should be permissive and not exclusive.

68. The inadequate compliance with the provisions of Shops and Commercial Establishments Act has been voiced every where by workers. The complaint is that because of its administration by local bodies, where the voice of owners of these establishments is stronger than



that of workers, prosecutions are hard to come by. This complaint received a mild support from officials of some Corporations also. The same objection is valid a "fortiori" to the proposition that the implementation of the Minimum Wages Act in the agriculture should be left in the hands of Panchayats. The Working Group may examine these points also.

69. For several years now, there have been periodic discussions about the working of the implementation and enforcement machinery and the best method of improving it. These discussions have revealed certain common factors which are responsible for inadequate implementation of labour laws in most of the States. While evaluating the working of the labour administration and enforcement machinery, one has to distinguish between two types of problems faced by the administrator. Firstly, there are certain difficulties which are due to the prevailing legal provisions themselves; then there are problems which arise not out of the legal provisions, but due to other physical and environmental factors. Lack of power to call for certain records or to compel attendance at proceeding etc., fall in the former category and so do cases where delays occur as a result of differences in interpretation of awards/settlements/agreements as between employers and workers. The remedy in such cases is amendment of law or some expeditious arrangement for interpreting disputed points. On the other hands, delays due to inadequate staff, over-burdening of the existing staff with, multifarious duties, difficulties of transportation, accessibility to premises etc. fall in the second category and can be remedied at least partially by administrative action. It is this kind of general administrative problems that will be discussed in the Working Group.

70. Most of the State Governments have been complaining of lack of financial resources to augment their inspection and enforcement staff. Although the

need for such strengthening has been fully appreciated by the labour department as well as the other departments, Central or State, it has not been possible in most cases to translate this need into reality because of financial stringency everywhere. The inadequacy of staff and their being over-burdened with several duties has resulted in delay in completing conciliation proceedings and the inspectors not being able to inspect the undertakings as frequently as may be necessary. At present conciliation proceedings drag on interminably, causing hardship to and discontent among the parties, particularly the workers; the Factory and Minimum Wage Inspectors are hardly able to visit each factory even once in a year and a large proportion of the total number of establishments do not get visited even once in 2 or 3 years. Such a state of affairs is admittedly unsatisfactory, but can be remedied only if adequate additional staff is appointed. It has been suggested by some of the States that the Central Government should share a part of the expenses involved in the implementation and enforcement of labour legislation. This point may be examined in the broad national setting. It has an important bearing on many points which have been made on improving the tone of labour administration viz., improving the status of officers providing them with adequate transport, facilitating frequent exchange of ideas between and within the Central and State cadres comprising the implementation machinery, training arrangement for them, and so on.

71. Finally there is a suggestion that in order to minimise political influence on the industrial relations machinery, it may be advisable to have a Central Cadre of industrial relations service to which the Central and State officials should belong. These officers could be transferred from the State to the Centre and vice-versa. This point should be considered in the Working Group in all its facets.

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